

DOCUMENT RESUME

ED 235 260

UD 023 100

TITLE Effects of the Administration's Fiscal Year 1984 Budget on Children and Youth. Hearing before the Task Force on Entitlements, Uncontrollables, and Indexing of the Committee on the Budget. House of Representatives, Ninety-Eighth Congress, First Session (March 9, 1983). Serial No. TF8-4.

INSTITUTION Congress of the U.S., Washington, D.C. House Committee on the Budget.

PUB DATE 9 Mar 83

NOTE 169p.; Some tables are marginally legible.

PUB TYPE Legal/Legislative/Regulatory Materials (090) -- Reports - General (140)

EDRS PRICE MF01/PC07 Plus Postage.

DESCRIPTORS *Children; *Economically Disadvantaged; Federal Government; Federal Programs; *Financial Support; Food; Hearings; *Needs Assessment; Nutrition; Welfare Services; *Youth

IDENTIFIERS *Aid to Families with Dependent Children; Congress 98th; *Entitlement Programs; Reagan Administration

ABSTRACT

In this report of a hearing on the effects on children and youth of President Reagan's proposed budget cuts of means-tested entitlement programs, Linda S. McMahon, Associate Commissioner of the Office of Family Assistance, and Robert E. Leard, Acting Administrator of the Food and Nutrition Service at the Department of Agriculture, present the President's funding requests and explain the reasoning behind the funding levels they are requesting. Areas to be funded are Aid to Families with Dependent Children; and the food stamp, school lunch, school breakfast, child care, summer food, women, infants and children, food distribution, and special dairy distribution programs. Analyses and critiques of the priorities set forth in the fiscal 1984 budget are presented by the following: Nancy Amidei, Director of the Food Research and Action Center; Dr. Leon H. Ginsberg, President of the American Public Welfare Association; Robert Greenstein, Director of the Center on Budget and Policy Priorities; and the Hon. Ted Weiss, Chairman of the Subcommittee on Intergovernmental Relations and Human Resources. The report also contains additional information submitted for the record by Amidei, Ginsberg, Leard, McMahon, the National Association of Home Builders, and Weiss. (CMG)

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**EFFECTS OF THE ADMINISTRATION'S FISCAL YEAR
1984 BUDGET ON CHILDREN AND YOUTH**

ED235260

HEARING

BEFORE THE

**TASK FORCE ON ENTITLEMENTS,
UNCONTROLLABLES, AND INDEXING
OF THE**

**COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES**

NINETY-EIGHTH CONGRESS

FIRST SESSION

MARCH 9, 1983

Printed for the use of the Committee on the Budget

Serial No. TF8-4

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(II)

CONTENTS

Statement of:	Page
Amidei, Nancy, director, Food Research and Action Center	97
Ginsberg, Dr. Leon H., commissioner, West Virginia Department of Welfare, and president, American Public Welfare Association	127
Greenstein, Robert, director, Center on Budget and Policy Priorities	93
Leard, Robert E., Acting Administrator, Food and Nutrition Service, Department of Agriculture, accompanied by Virgil Conrad, Deputy Administrator for Family Nutrition and the Food Stamp Program and George Braley, Deputy Administrator for Special Nutrition Programs....	30
McMahon, Linda S., Association Commissioner, Office of Family Assistance, Department of Health and Human Services, accompanied by Michael deMaar, Director, Office of Policy and Evaluation	2
Weiss, Hon. Ted, a Representative in Congress from the State of New York, and chairman, Subcommittee on Intergovernmental Relations and Human Resources, accompanied by Del Goldberg	83
Additional information submitted for the record by:	
Amidei, Nancy, prepared statement with attachments	102
Attachments:	
Campaign To Make Programs Meet the Growing Need	107
Point-by-Point Analysis: Campaign To Make Food Programs Meet the Growing Need	107
Community Centers and Churches Experiencing Longer Lines for Food (article from the Baltimore Sun, Nov. 8, 1981)	108
Crisis in Meeting Human Need (from the DHP, January 1982)	109
Going Hungry in Chicago (from the Chicago Tribune, Apr. 11, 1982)	110
Steel Union Giving Away Food to Jobless Workers (from the New York Times, May 6, 1982)	112
Local Survey is Pessimistic—Ranks of Hungry Swelling, but Aid Isn't (from the Arizona Daily Star, June 1, 1982)	113
Surge in Petty Theft—Symptom of Hard Times (from the U.S. News & World Report)	114
Hunger Here and Abroad (from the Pittsburgh Post-Gazette, Oct. 15, 1982)	115
Many Hungry Finding Meals in Dumpsters (from the Sacramento Bee, July 25, 1982)	116
America's Poor Overload Soup Kitchens, Shelters (from the Washington Post, Nov. 23, 1982)	117
Defense Depends on Health (from the Philadelphia Inquirer, Dec. 1, 1982)	118
Who Are the Hungry (from the Detroit Free Press, March 1982)... ..	119
Feed the Hungry, Then Give Thanks (from the USA Today, Nov. 24, 1982)	122
Detroit's Soup Kitchens Crowded for Holidays—With "New Poor" (from the Washington Post, Dec. 29, 1982)	123
Oklahoma Churches Grapple With Poverty, Hunger (from the United Methodist Reporter, Jan. 28, 1983)	125
Mayor of Cleveland Beseeches U.S. for Additional Food Aid (from the Washington Post, Mar. 1, 1983)	126
Ginsberg, Leon H., prepared statement with attachment from the National Council of State Public Welfare Administrators entitled: Proposed AFDC Improvements	130
Leard, Robert E.: Distribution of WIC Participants by Priority Group	69

Additional information submitted for the record by—Continued

Leard, Robert E.—Continued

Documentation on Availability of Nutrition Assistance for These Un- served WIC Eligibles	Page 74
Food Stamp Program Projected Savings—COLA Postponement (table) Prepared statement.....	78 36
Semiannual Summary Report of Food Stamp Quality Control Re- views (April 1981–September 1981)	61
WIC Eligible Population Estimates.....	74
McMahon, Linda S., prepared statement	8
National Association of Home Builders, prepared statement	157
Weiss, Hon. Ted, prepared statement	85

EFFECTS OF THE ADMINISTRATION'S FISCAL YEAR 1984 BUDGET ON CHILDREN AND YOUTH

WEDNESDAY, MARCH 9, 1983

HOUSE OF REPRESENTATIVES,
TASK FORCE ON ENTITLEMENTS,
UNCONTROLLABLES AND INDEXING,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The task force met, pursuant to notice, at 9:40 a.m., in room 2203, Rayburn House Office Building, Hon. Brian J. Donnelly (chairman of the task force) presiding.

Mr. DONNELLY. The Task Force on Entitlements, Uncontrollables, and Indexing meets this morning to consider the President's proposals for means-tested entitlement programs for fiscal year 1984, with special emphasis on their effect on children and youth.

I am pleased this morning to welcome Linda McMahon, Associate Commissioner for Family Assistance, and Robert Leard, Acting Administrator of the Food and Nutrition Service at the Department of Agriculture.

I look forward to their presentations of the President's funding requests, and their explanation of the reasoning behind the funding levels they request.

Also scheduled to testify this morning is Hon. Ted Weiss, chairman of the Government Operations Subcommittee on Intergovernmental Relations and Human Resources, and a panel of organization representatives. I also look forward to their analysis and critique of the priorities set forth in the President's fiscal year 1984 budget.

Once again, the administration is proposing cuts in the means-tested entitlement programs. In aid to families with dependent children, they propose savings of \$666 million in fiscal year 1984, which will result in a benefit reduction of 10 percent from fiscal year 1983 levels.

These reductions would come on top of reductions of \$6.1 billion for 1982-85 already enacted during the last 2 years. The President proposes to achieve these savings through a variety of proposals: Mandatory workfare; including all related adults and children in the AFDC assistance unit; prorating shelter and utility costs in shared households; terminating the parental benefit when the youngest child reached 16; reforming child support enforcement.

In the area of food and nutrition, the administration proposes total outlays of \$16.3 billion, a decrease of \$1.5 billion below fiscal year 1983 funding. This reduction would result primarily from a

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decrease of \$1.1 billion in the food stamps program and \$400 million in child nutrition.

These cuts are in addition to the \$11.2 billion of cuts already imposed on the food stamp program for fiscal year 1982-85, and cuts of \$6.4 billion in funding for child nutrition for fiscal year 1982-85.

Food stamps reductions will be achieved in several ways: Establishing a standard deduction of \$140 per month to replace the current standard shelter deduction; establishing a new earnings deduction of \$75 per month for recipients working full time; requiring that individuals living together participate as a single food stamp household; reducing the allowable State error rate from 4 percent to 3 percent; delaying the cost-of-living adjustment for 6 months; imposing mandatory workfare.

In the area of child nutrition, the administration proposes reductions of \$300 million in fiscal year 1984 and \$1.15 billion in fiscal year 1984-86. They are resubmitting a proposal to block grant the summer food program, child care food program, and school breakfast programs, reducing funding by nearly 30 percent below the current policy level.

They propose to delay COLA's by 6 months, and to level fund the WIC program for women, infants and children, at \$1.1 billion for fiscal year 1984. This will result in a 5 percent caseload reduction.

The effect of past cuts has been devastating, and will continue to be devastating on our children. There is no question that this committee and this Congress must act now to reduce the unprecedented budget deficit. The question facing this committee is twofold: First, are the administration's proposals for further cuts in these children's programs fair? Second, are they effective in reducing the deficit? Huge cuts in these programs over the past 2 years have not resulted in a balanced budget, as promised, but rather in the biggest deficits in our history. Why should we now believe that further cuts will reduce the deficit?

Testifying first this morning is Linda McMahon, the Associate Commissioner for the Office of Family Assistance, Department of Health and Human Services. Ms. McMahon, we welcome you this morning.

**STATEMENT OF LINDA S. McMAHON, ASSOCIATE COMMISSIONER,
OFFICE OF FAMILY ASSISTANCE, DEPARTMENT OF HEALTH
AND HUMAN SERVICES, ACCOMPANIED BY MICHAEL de MAAR,
DIRECTOR, OFFICE OF POLICY AND EVALUATION**

Ms. McMAHON. Thank you, Mr. Chairman. I appreciate the opportunity to be here. I have with me Michael de Maar, who is the Director of my Office of Policy and Evaluation.

I am happy to be here to discuss the impact and fairness of the administration's fiscal year 1984 proposals for the aid to families with dependent children program.

Mr. Chairman, currently there are widespread misperceptions and misrepresentations of this administration's program to help the needy. These false impressions are based primarily on a lack of understanding about what we have done and what we are trying to do. I would like to briefly describe the progress we have made so

far. Then I will discuss our budget proposals for fiscal year 1984, particularly in terms of their impact on children.

Over the last 2 years, we have made far-reaching changes in the AFDC program, the basic federally assisted cash welfare program for families with children. Through provision of the Omnibus Budget Reconciliation Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982, we have improved the program by requiring that all income and resources available to a family be considered in determining its need for assistance; by targeting scarce resources to those with the greatest need; by strengthening work requirements and improving employability of recipients; and by improving administration of the program.

In the first year following the enactment of OBRA, we achieved savings of \$737 million. These savings were realized in spite of increases in need or payment standards by 25 States, and delayed implementation of some of the most significant OBRA provisions.

In terms of administrative costs, in the year following OBRA, these costs grew much more slowly than in the previous year. While administrative costs increased 12 percent in fiscal year 1981, they increased only 3.5 percent in fiscal year 1982, substantially less than the fiscal year 1982 inflation rate of 6.1 percent.

The AFDC caseload decreased by 267,000 cases or 7 percent as a result of OBRA. While it is too early to measure the impact of TEFRA, we do not expect it to have as significant an impact on program administration, budget or caseload as OBRA did, although we expect it to achieve savings of approximately \$97 million.

More important than the savings realized, however, we believe that over the last 2 years the program has been significantly improved. For example, prior to OBRA there was a permanent and substantial disregard of earned income with no limit on the amount of gross income a family could have and still receive assistance. In every State, a family of four could stay on the rolls with an adult working full time at the minimum wage. In 15 States, a family of four could stay on the rolls with earnings over \$15,000 per year. We believe that when a family has sufficient income to meet its basic needs, as defined by the State-set standard of need, it is not the role of the Federal Government to supplement that family's income.

When Congress enacted the \$30 and one-third earned income disregard in 1967, it was intended to encourage welfare recipients to work. In fact, however, this did not occur. The percentage of working welfare mothers remained constant between 1967 and 1979 at about 14 percent. In 1967, 33 percent of case closings were due to earnings. In 1979, only about 8 percent of case closings were due to earnings. We believe that, when social welfare policy has been shown to be ineffective in achieving its goals, it is time for a change. And so when this administration took office, we proposed limiting the earned income disregard to 4 months and setting a gross income limit for welfare recipients.

Many predicted that as a result of these changes, working welfare recipients would quit their jobs to remain eligible for assistance. The information we are receiving from States shows that this just isn't the case. About 10 States, including New Jersey and Illinois, and Los Angeles County are reporting that a very low per-

centage of former working recipients are returning to the rolls. Their figures include individuals who would normally be expected to return to the rolls because they involuntarily had their hours of work reduced or lost their jobs. But rather than rely on the information in just 10 States, we now have underway a national study by a well-known independent contractor. The study will assess major work-related changes including the extent to which working recipients who lost eligibility return to the rolls and the impact of the \$30 and one-third earned income disregard on work effort. We expect the results of this study to be available within a few weeks.

Another area of major program improvement over the last 2 years has been in work activities for AFDC applicants and recipients. Under OBRA, States were permitted to establish community work experience programs, work supplementation programs, and WIN demonstrations. Under TEFRA, States were permitted to require participation in job search by both applicants and recipients. Thirty-four States have implemented at least one of these work programs which help move able-bodied recipients off the welfare rolls.

Twenty-five States have implemented or plan to implement CWEP under the current optional provision. The preliminary results are very promising. For example, Oklahoma, New York, North Carolina, and West Virginia indicate that 20 to 30 percent of their CWEP participants are entering employment. Sponsors have found CWEP to be a good way to provide necessary public services in a period of budgetary constraint. Participants are endorsing the program because it provides training, potential job leads, improved employability, maintenance of existing job skills and improved morale and self-esteem. As one participant from Massachusetts said, "It's better than just welfare. I really liked the way they got right to work on helping me."

Several States are reporting high rates of voluntary participation. This is additional evidence that participants believe the program is beneficial.

In States which have implemented strong work requirements, we have seen major reductions in welfare dependency. Programs that incorporate job search and mandate participation by employable individuals have achieved major caseload reductions through both job placements and deterrence. For example, in Massachusetts, where the program requires immediate job search by applicants, 12 percent of the participants found work in the first few months of the program. In Michigan, there are high placement levels in spite of a high jobless rate. The State is seeing 2,000 case closures per month due to employment, twice as high as 2 years ago.

In summary, we believe that the changes made over the last 2 years are a significant step toward this administration's goals of restoring the AFDC program to its proper place as a temporary program of last resort, and amending Federal spending patterns to recognize budgetary constraints at all levels of government.

Let me assure you that in making substantial progress toward these goals the social safety net remains intact. Our program for change has been carefully targeted at families that had other means of support but used AFDC as an income supplement. Assist-

ance is still there for families who have no option but to rely on welfare.

Our proposals for fiscal year 1984 reinforce the program improvements of the last 2 years and continue to insure that welfare is there for those who need it. I would like to briefly describe our fiscal year 1984 proposals which have budget impact.

Several of our proposals are designed to further strengthen work requirements and improve the employability of recipients. This administration believes that all able-bodied individuals who request assistance should be involved in some type of work-related activity from the day they apply.

We propose to require that all applicants who are able to work be required to begin a job search as soon as they apply for assistance; that those who cannot find employment must actively participate in a community work experience program, work supplementation program or program of grant diversion in order to increase their employability through actual work experience; that sanctions be applied against recipients who voluntarily terminate their employment or reduce their hours of employment without good cause; and that States be permitted to require parents of children age 3 to 6 to participate in work activities provided that child care is available.

We also have two proposals to insure that, in determining a family's need for assistance, all sources of income available to the family are considered. We propose to require that all parents and minor siblings living with an AFDC child be included in the assistance unit. This will put an end to the current practice whereby families exclude members with income from the assistance unit in order to maximize benefits. It also recognizes that primary responsibility for support resides with the nuclear family and not with the Government.

As part of the process of defining the assistance unit, we also propose to discontinue assistance to an employable parent or other caretaker relative when the youngest AFDC child reaches age 16. At that point, we believe the caretaker relative is sufficiently free from child care responsibilities to enable him or her to pursue employment. In addition, by removing the caretaker relative from assistance shortly before the youngest AFDC child loses eligibility, assistance is phased out rather than suddenly cut off.

In the area of retargeting assistance, there are two proposals which serve to limit eligibility to those who are in need and not in a position to provide for themselves.

First, we propose to require States to reduce the portion of the AFDC grant for shelter and utilities for any assistance unit sharing a household with others. When individuals share a household, economies of scale result. Our proposal seeks to recognize that fact, thereby eliminating excess benefits to recipients who share a household with others.

Our second proposal for targeting assistance is to eliminate payments to children whose parent is absent solely due to employment-related activities. In these cases, the parent has not deserted the family, the family tie continues, and the support obligation remains.

The proposal would correct the current inequity that exists in many States where if a parent leaves home to work or look for a job, the family would be ineligible for assistance. This provision parallels a provision enacted last year which eliminates payments to children whose parent is absent solely due to performance of active duty in a uniformed service.

The overriding concern in developing these proposals was not to reach a particular level of reduction in AFDC spending. In fact, a number of proposals over the past 2 years and again this year, have little or no budget impact.

Our concern is to give AFDC children and their families the kind of help that really helps in the long run. More money, by itself, is only a short-term solution. We believe that the way to help children is to help families achieve self-sufficiency and give up their welfare dependency, to restore the idea that it is not OK to stay on welfare if you are capable of self-support.

For those who are forced to rely on assistance, we are committed to establishing an equitable welfare system capable of targeting scarce resources where the need is the greatest. Our fiscal year 1984 proposals are designed to promote self-sufficiency and insure fair and equitable treatment of those who must rely on assistance.

For example, our proposal with the greatest budget impact is the proposal that nonexempt individuals participate in specified work activities such as job search and CWEP. We believe that if work is available, the able-bodied applicant or recipient should take the paycheck rather than the welfare check. Welfare will still be there where it is needed, but self-support should not be regarded as an option. A wage-earning member of society acquires a sense of dignity, self-worth, and confidence that no amount of welfare can provide. More important, however, is the example that parents set for their children when they become actively engaged in pursuing alternatives to welfare reliance. Through job search requirements and CWEP assignments, we believe we are providing the kind of help that dependent children need in the long run.

By allowing States to operate grant diversion programs that enable them to use the AFDC grant to subsidize public or private sector jobs, they will be using the welfare benefit to help pay a wage on a job rather than to pay a recipient to be idle.

As you know, this is a period of severe Federal budgetary constraints. One of the major goals of this administration's welfare policy is to target our scarce resources to those with the greatest need. But we must insure at the same time, that in determining eligibility and benefit amount, families in similar circumstances are treated equitably.

Many of the changes enacted over the past 2 years were intended to insure that, regardless of the level of spending for AFDC, all of a family's income and resources are considered in determining their need for assistance. If a family with other income or resources receives assistance, we do not believe that it is fair that they receive the same benefit as a family that has no other income and resources. Two of our fiscal year 1984 proposals that I briefly described earlier address this inequity which currently exists in the welfare system.

The first of these is our proposal to require prorating the portion of the AFDC benefit for shelter and utilities when an AFDC family shares a household with other individuals. This proposal recognizes the great inequity that exists when, for example, a mother who lives with her child in unsubsidized housing receives the same amount of assistance for shelter and utilities as a teenage mother who lives with her parents.

The second proposal which addresses the current inequity establishes a standard filing unit by requiring that parents and siblings of the dependent child be included in the assistance unit. The proposal prevents families from selectively excluding nuclear family members with income and eliminates the possibility that two families will receive the same benefit even though one family has greater income.

In summary, Mr. Chairman, our fiscal year 1984 budget proposals represent the administration's recognition that in times of budgetary crisis, scarce resources must be carefully targeted. But regardless of the level of spending for AFDC, the program must be one that really works for dependent children, not one that insidiously prolongs their welfare dependency.

And for those who must rely on assistance, the welfare system must treat similarly situated individuals with fairness and equity.

Thank you, Mr. Chairman. I will be happy to answer your questions.

[Testimony resumes on p. 19.]

[The prepared statement of Ms. McMahon follows:]

PREPARED STATEMENT OF LINDA S. McMAHON

Mr. Chairman and Members of the Task Force:

Thank you for the opportunity to appear before you today to discuss the impact and fairness of the Administration's FY 1984 proposals for the Aid to Families with Dependent Children (AFDC) program.

Mr. Chairman, currently there are widespread misperceptions and misrepresentations of this Administration's program to help the needy. These false impressions are based primarily on a lack of understanding about what we have done and what we are trying to do. I would like to briefly describe the progress we have made so far. Then I will discuss our budget proposals for FY 1984, particularly in terms of their impact on children.

Over the last two years we have made far-reaching changes in the AFDC program, the basic federally-assisted cash welfare program for families with children. Through provisions of the Omnibus Budget Reconciliation Act (OBRA) of 1981 and the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 we have improved the program:

- by requiring that all income and resources available to a family be considered in determining its need for assistance;
- by targeting scarce resources to those with the greatest need;
- by strengthening work requirements and improving employability of recipients; and
- by improving administration of the program.

In the first year following the enactment of OBRA, we achieved savings of \$737 million. These savings were realized in spite of:

- increases in need or payment standards by 25 States; and
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In terms of administrative costs, in the year following OBRA these costs grew much more slowly than in the previous year. While administrative costs increased 12 percent in FY 1981, they increased only 3.5 percent in FY 1982, substantially less than the FY 1982 inflation rate of 6.1 percent.

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While it is too early to measure the impact of TEFRA, we do not expect it to have as significant an impact on program administration, budget or caseload as OBRA did, although we expect it to achieve savings of approximately \$97 million.

More important than the savings realized, however, we believe that over the last two years the program has been significantly improved. For example, prior to OBRA there was a permanent and substantial disregard of earned income with no limit on the amount of gross income a family could have and still receive assistance. In every State, a family of four could stay on the rolls with an adult working full-time at the minimum wage. In 15 States, a family

of four could stay on the rolls with earnings over \$15,000 per year. We believe that when a family has sufficient income to meet its basic needs, as defined by the State-set standard of need, it is not the role of the Federal Government to supplement that family's income.

When Congress enacted the \$30 and 1/3 earned income disregard in 1967, it was intended to encourage welfare recipients to work. In fact, however, this did not occur. The percentage of working welfare mothers remained constant between 1967 and 1979 at about 14 percent. In 1967, 33 percent of case closings were due to earnings. In 1979, only about 8 percent of case closings were due to earnings. We believe that, when social welfare policy has been shown to be ineffective in achieving its goals, it is time for a change. And so when this Administration took office, we proposed limiting the earned income disregard to four months and setting a gross income limit for welfare recipients.

Many predicted that as a result of these changes working welfare recipients would quit their jobs to remain eligible for assistance. The information we are receiving from States shows that this just isn't the case. About 10 States, including New Jersey and Illinois, and L.A. County are reporting that a very low percentage of former working recipients are returning to the rolls. Their figures include individuals who would normally be expected to return to the rolls because they involuntarily had their hours of work reduced or lost their jobs. But rather than rely on the information in just 10 States, we now have underway a national study by a well know independent contractor. The

study will assess major work-related changes including the extent to which working recipients who lost eligibility return to the rolls and the impact of the \$30 1/3 earned income disregard on work effort. We expect the results of this study to be available within a few weeks.

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Twenty-five States have implemented or plan to implement CWEP under the current optional provision. The preliminary results are very promising. For example:

- Oklahoma, New York, North Carolina and West Virginia indicate that 20 to 30 percent of their CWEP participants are entering employment.
- Sponsors have found CWEP to be a good way to provide necessary public services in a period of budgetary constraint.
- Participants are endorsing the program because it provides training, potential job leads, improved employability, maintenance of existing job skills and improved morale and self-esteem. As one participant from Massachusetts said, "It's better than just welfare. I really liked the way they got right to work on helping me."

- Several States are reporting high rates of voluntary participation. This is additional evidence that participants believe the program is beneficial.

In States which have implemented strong work requirements we have seen major reductions in welfare dependency. Programs that incorporate job search and mandate participation by employable individuals have achieved major caseload reductions through both job placements and deterrence. For example:

- In Massachusetts, where the program requires immediate job search by applicants, 12 percent of the participants found work in the first few months of the program.
- In Michigan, there are high placement levels in spite of a high jobless rate. The State is seeing 2000 case closures per month due to employment, twice as high as two years ago.

In summary, we believe that the changes made over the last two years are a significant step towards this Administration's goals of:

- Restoring the AFDC program to its proper place as a temporary program of last resort;
- Amending Federal spending patterns to recognize budgetary constraints at all levels of government.

Let me assure you that in making substantial progress towards these goals the social safety net remains intact. Our program for change has been carefully targeted at families that had other means of support but used AFDC as an income supplement. Assistance is still there for families who have no option but to rely on welfare.

Our proposals for FY 1984 reinforce the program improvements of the last two years and continue to ensure that welfare is there for those who need it. I would like to briefly describe our FY 1984 proposals which have budget impact.

Several of our proposals are designed to further strengthen work requirements and improve the employability of recipients. This Administration believes that all abled-bodied individuals who request assistance should be involved in some type of work-related activity from the day they apply. We propose:

- to require that all applicants who are able to work be required to begin a job search as soon as they apply for assistance;
- that those who cannot find employment must actively participate in a Community Work Experience Program, work supplementation program or program of grant diversion in order to increase their employability through actual work experience;
- that sanctions be applied against recipients who voluntarily terminate their employment or reduce their hours of employment without good cause, and;

- * that States be permitted to require parents of children age 3 to 6 to participate in work activities provided childcare is available.

We also have two proposals to ensure that, in determining a family's need for assistance, all sources of income available to the family are considered. We propose to require that all parents and minor siblings living with an AFDC child be included in the assistance unit. This will put an end to the current practice whereby families exclude members with income from the assistance unit in order to maximize benefits. It also recognizes that primary responsibility for support resides with the nuclear family and not with the government.

As part of the process of defining the assistance unit, we also propose to discontinue assistance to an employable parent or other caretaker relative when the youngest AFDC child reaches age 16. At that point we believe the caretaker relative is sufficiently free from child care responsibilities to enable him or her to pursue employment. In addition, by removing the caretaker relative from assistance shortly before the youngest AFDC child loses eligibility, assistance is phased-out rather than suddenly cut-off.

In the area of retargeting assistance, there are two proposals which serve to limit eligibility to those who are in need and not in a position to provide for themselves.

First, we propose to require States to reduce the portion of the AFDC grant for shelter and utilities for any assistance unit sharing a household with others. When individuals share a household, economies of scale result. Our proposal seeks to recognize that fact, thereby eliminating excess benefits to recipients who share a household with others.

Our second proposal for targeting assistance is to eliminate payments to children whose parent is absent solely due to employment-related activities. In these cases, the parent has not deserted the family, the family tie continues, and the support obligation remains. The proposal would correct the current inequity that exists where if a parent leaves home to work or look for employment, the family may be eligible, but if the same parent stayed home to work or look for a job the family would be ineligible for assistance. This provision parallels a provision enacted last year which eliminates payments to children whose parent is absent solely due to performance of active duty in a uniformed service.

The overriding concern in developing these proposals was not to reach a particular level of reduction in AFDC spending. In fact, a number of proposals over the past two years and again this year have little or no budget impact.

Our concern is to give AFDC children and their families the kind of help that really helps in the long run. More money, by itself, is only a short term solution. We believe that the way to help children is to help families achieve self-sufficiency and give up their welfare dependency—to restore the idea that it is not okay to stay on welfare if you are capable of self-support.

For those who are forced to rely on assistance, we are committed to establishing an equitable welfare system capable of targeting scarce resources where the need is the greatest.

Our FY 1984 proposals are designed to promote self-sufficiency and ensure fair and equitable treatment of those who must rely on assistance.

For example, our proposal with the greatest budget impact is the proposal that nonexempt individuals participate in specified work activities such as job search and OWEP. We believe that if work is available, the able-bodied applicant or recipient should take the pay check rather than the welfare check. Welfare will still be there where it is needed, but self-support should not be regarded as an option. A wage-earning member of society acquires a sense of dignity, self-worth, and confidence that no amount of welfare can provide. More important, however, is the example that parents set for their children when they become actively engaged in pursuing alternatives to welfare reliance. Through job search requirements and OWEP assignments we

believe we are providing the kind of help that dependent children need in the long run. By allowing States to operate grant diversion programs that enable them to use the AFDC grant to subsidize public or private sector jobs, they will be using the welfare benefit to help pay a wage on a job rather than to pay a recipient to be idle.

As you know, this is a period of severe Federal budgetary constraints. One of the major goals of this Administration's welfare policy is to target our scarce resources to those with the greatest need. But we must ensure at the same time that in determining eligibility and benefit amount families in similar circumstances are treated equitably.

Many of the changes enacted over the past two years were intended to ensure that, regardless of the level of spending for AFDC, all of a family's income and resources are considered in determining their need for assistance. If a family with other income or resources receives assistance we do not believe that it is fair that they receive the same benefit as a family that has no other income and resources. Two of our FY 1984 proposals that I briefly described earlier address this inequity which currently exists in the welfare system.

The first of these is our proposal to require prorating the portion of the AFDC benefit for shelter and utilities when an AFDC family shares a household with other individuals. This proposal recognizes the great inequity that exists when, for example, a mother who lives with her child in unsubsidized housing receives the same amount of assistance for shelter and utilities as a teenage mother who lives with her parents.

The second proposal which addresses the current inequity establishes a standard filing unit by requiring that parents and siblings of the dependent child be included in the assistance unit. The proposal prevents families from selectively excluding nuclear family members with income and eliminates the possibility that two families will receive the same benefit even though one family has greater income.

In summary, Mr. Chairman, our FY 1984 budget proposals represent the Administration's recognition that in times of budgetary crisis, scarce resources must be carefully targeted. But regardless of the level of spending for AFDC, the program must be one that really works for dependent children, not one that insidiously prolongs their welfare dependency. And for those who must rely on assistance, the welfare system must treat similarly situated individuals with fairness and equity.

I will be happy to answer questions that you or Members of the Task Force have.

Mr. DONNELLY. Thank you very much, Ms. McMahon.

One of the things that's always bothered me about the AFDC program is all of the rhetoric that surrounds it from people on both sides of the issue. And one of the things that bothers me about the administration's proposal, before we get into the specifics on the fiscal policy, on differences in savings, is that you talk about the nuclear family, and you talk about getting people back on their feet and out to work, and protected by the shelter of a nuclear family. What about the people who don't have a nuclear family?

It seems to me that too often, we are blaming the victim. We are asking the victim to take the larger share of the cuts, and that is, on a broad basis, one of the great criticisms I have with the administration's proposal on the cuts that have been adopted in the AFDC, in your recommendations for the next 3 fiscal years. Would you comment on that, please?

Ms. McMAHON. Well, where we talk about the nuclear family, and including all members of the family in the assistance unit, there is a nuclear family. If there is no nuclear family, if the child is alone and has one caretaker relative, those are already included in the assistance unit.

Mr. DONNELLY. Would you define nuclear family for me? Maybe we're—

Ms. McMAHON. Well, in the case of the particular proposal that we discussed in reference to the nuclear family, we're talking about, for instance, the mother and her children.

Currently, a mother has the opportunity to say, "One of my children is getting social security benefits. I don't want that child included in the AFDC assistance unit."

All we're saying is, she shouldn't have that option. She can also say, "I would like my children to be in the unit, I don't want to be in the unit." We're saying the mother and children, the parents and children, in cases where there are both parents, or if it's the father and children, they should be included in the unit. They are the nuclear family.

Mr. DONNELLY. The administration estimates that their savings under the workfare program would be \$750 million. We asked CBO to reestimate those savings, and they are estimating a \$250 million in savings, a \$500 million difference. Would you address that question?

Ms. McMAHON. I'm sorry. Are you talking about savings over 3 years?

Mr. DONNELLY. Yes.

Ms. McMAHON. Well, I believe that CBO's methodology—and I'm not totally familiar with how they went about doing their estimate—assumed that it would cost more, much more to run the program than you would save.

We are looking—our estimate is based on some experience that we've had to date—at States that are running CWEP programs. It costs between \$20 and \$40 per participant to run one of these programs. Our estimate included a figure of \$34 per participant in terms of the administrative cost.

Also, we used a very conservative figure in terms of savings involved. In the State of New York, they are seeing savings of 2 to 1 in terms of program savings versus administrative costs. So, we feel

that our estimate is a reasonable one and, as I say, not being totally familiar with the CBO methodology, it's difficult to pick it apart.

Mr. DONNELLY. Well, I would like to leave open for the record an opportunity for our staff to work with your staff so that we can come up with some consensus on exactly what the savings would be over a 3-year period, in this specific program.

Ms. McMAHON. We would be happy to do that.

Mr. DONNELLY. Most of the recommendations that you are making for fiscal year 1984 you have made before, and they have been rejected by the Congress. The thing that bothers me is that, in all probability, most of them will be rejected again.

My question is, Why do you come up with the same proposals, and why do you not come forward with different proposals that would be more amenable to the membership of the House and the Senate, some proposals for savings that would have a chance of being adopted?

Many of these, I'm sure you are aware, will be dismissed out of hand, by the Congress. I think it is incumbent on people in administration, when they deal with the realities of fiscal and political life, to come forward with alternatives. You're not really coming with different alternatives this year than you have over the past 2.

Ms. McMAHON. Well, I think one of the reasons that we continue to come forward with, for instance, mandatory CWEP, which is one of our major proposals, is we believe—and find it difficult to believe anybody could quarrel with the notion—that able-bodied people should be involved in work activities. We think that's good for them, and we think that it is important to mandate that that occur.

We believe that experience over the last 2 years shows that these programs are very positive. The recipients see them that way. The sponsors find that they are able to provide services they couldn't otherwise provide. We think there is history building that makes it incumbent on Congress to accept this proposal. Consequently, we keep coming back because we want to give you every opportunity to accept the proposal.

The proration of shelter and utilities, it's the same issue in that last year, the Congress, in fact, accepted an optional proposal. We feel, again, that the States have now had some experience with this. Some of the arguments, for instance, that were made in terms of not picking up some of these proposals was, "We've made so many changes, the States are going to have difficulty implementing."

Well, now things have settled down, and they can concentrate on picking up the proration of shelter and utilities. We have, as I've laid out in my testimony, a time line of proposals that we have come out with that all relate.

We have made all our proposals on the basis that we want to turn this program around so that it is what it was intended to be, a program of last resort for those who have no other means of support.

We want to take up that piece of the Social Security Act, which probably has not received the attention it should have received, that says, "We, the Federal Government and the State governments who administer these programs, are responsible for seeing

that the parents of these children become self-sufficient." That is actually in the law, and we are required to do that. And we think by these work programs, that we are carrying out that mandate that, in fact, we haven't done in past years.

Mr. DONNELLY. You are again this year recommending the elimination of the WIN program. My question is, at a time when we are going through serious economic problems in this Nation, when job training and job retraining is on the lips of all economists, when it is necessary to retrain and retool the work force to deal with the economy of the 1980's and the 1990's, why are we taking some of the poorest people in this Nation, some of the people that economically have been the most deprived, and taking the one vehicle they have, which is work incentive and job training, and eliminating it? To me, that just doesn't make a whole heck of a lot of economic sense.

Ms. MCMAHON. Well, I would agree with you if the WIN program had worked. The WIN program did not accomplish its goals. It had a lot of problems. What we've done, in saying that we want to repeal the WIN program, is to pick out those pieces of WIN that did work, that were effective—namely job search and community work experience. We've taken those two pieces, which were the most effective pieces of the WIN program, and we are trying to mandate them. We now at least have them available as options.

We have also looked at the way WIN is run. With a dual agency administration, it's been very confusing. A lot of claims have been made about the savings that come from WIN. GAO has done a study and said, in fact, that something like 70 percent of the people get their own jobs; more than half say they would have gotten them anyway and WIN had absolutely nothing to do with it.

So, I think if you just look at the history of the WIN program and see that we have taken the pieces that work out of it, and in conjunction with the Job Training Partnership Act, where training can occur, that we have the nuclear pieces that are going to make sense for getting people into employment.

I don't quarrel at all with your thought that we need to give people some kind of training, we need to involve them in work activity. We need to have a planned program that does that.

What we did was look at the WIN program and say, "That plan didn't work. What of that makes sense?" We took those pieces out and included them in several proposals, and we believe it's going to make a lot more sense.

Mr. DONNELLY. One of your recommendations on workfare is that you are going to require all applicants who are able bodied to begin a job search as soon as they apply for assistance. For the record, would you define "all applicants," exactly; specifically who you mean? Is that every single applicant?

Ms. MCMAHON. In other words, you want me to tell you who is exempt from that? It's easier, I guess, to do it that way.

Mr. DONNELLY. Yes.

Ms. MCMAHON. Let me read it specifically. Those who are exempt are children under 16, or children attending an elementary, secondary, or vocational school on a full-time basis; ill or incapacitated persons; persons 60 years old or older; persons required to stay home because of the illness or incapacity of another member

of the household; relatives who personally provide care for children under the age of 6, although we are giving an option for States to go down to the age of 3 if child care is available; and persons working at least 30 hours a week. Anyone who doesn't meet those criteria, who comes in and applies for welfare, would be required to immediately start job search while the application is being processed.

Mr. Donnelly. One of the problems in the economy is that there are millions of people out of work. If we make the cutbacks that have been recommended in job training and the WIN program, where are these people going to find jobs? Is it the theory that it is a good exercise just to go out and look?

Ms. McMAHON. I think that's a good theory, too, because people need to be involved in that activity, and not allow themselves—

Mr. DONNELLY. I mean, you can go around and look and wear the soles of your shoes out all day when there are just no job opportunities available.

Ms. McMAHON. We aren't recommending it as an exercise just for the sake of an exercise. In fact, we see, for instance, in the State of Oregon, they found that they had fairly high unemployment, 11 to 12 percent, and yet 10 to 12 percent of the people who went into their applicant job search, were diverted from assistance.

In the State of Michigan, as I pointed out in my testimony, even though they have extremely high unemployment as you're well aware, they now have 2,000 case closings per month—twice as many as 2 years ago—because of their efforts to get people to look for work and be diverted from welfare.

We are recommending this because we have found, through experience, that people do find jobs. We think it's much better for people to get a job than ever get on welfare because, once you're on, then you have to go through the process of breaking the cycle of dependency. If you never get in the welfare cycle, you're going to be much better off.

Mr. DONNELLY. It's sad to say, but I think there is a perception among the American people that individuals on AFDC are individuals who are on the Government dole, who could go out and earn a decent living, but they are taking advantage of the taxpayers of this Nation. When the Federal Government established the AFDC program, it was established under certain basic premises. One of those premises was that it was in the best interest of the family structure and it was in the best interest of the Nation, that families that were deprived of two parents in most cases, women, and, in most cases, some of the people that are most economically disenfranchised in this society, be able to stay home with their children. There is a special need for that mother to be home.

There's a need for her because of the lack of another authority figure in the family, a need for her to spend that extra time with her children. Those children should not be deprived because of the parents marital problems or because the woman and man made a mistake, or the woman made a mistake.

This mischievous perception continues to grow no matter how much you try to articulate the worthiness of having a program, not only the fiscal worthiness, but, the moral worthiness of having a program where children won't be punished because of the mistakes of their parents, the perception grows amongst the American

people, that these individuals who are going through very tough emotional and economic circumstances, who have been disenfranchised over the course of time, socially, economically, whatever, that they are taking advantage of the taxpayers.

One of the problems I have, Ms. McMahon, as I said in my opening statement and my first question is that when we approach this whole AFDC program on a fiscal basis, and when we approach it in terms of constantly talking about workfare—like these people ought to be—these women ought to get out of the house and go down and earn an honest living, and they have to stop living off the Government dole—I think we do a disservice and create a disincentive, socially and economically, for these individuals.

AFDC should be a short-term help for individuals, mostly women, who have been disenfranchised. The problem is that we are setting up a system where there is an adversary relationship between the Government and these individuals. It ought not to be an adversary relationship, it should be a cooperative relationship, working together to provide short-term assistance.

So much of the rhetoric that surrounds, both from the right and the left, this entire question of AFDC, on the bottom line, does a disservice to the individuals that we are trying to help most.

Ms. McMAHON. I'd like to make a couple of points in relation to that. One of the things that disturbs me when I look at this program is that times have changed a lot since the program was put in place such as the demographics of our society. The fact that 51 percent of women with children aged to 6 are working now, who aren't on welfare indicates that life has changed.

I think one of the reasons that people, women on welfare, are disenfranchised is because they get locked into a system that can't do what is best for them. Welfare payments are never going to be high enough for people to live comfortably. The emotional situation that is created when a person is dependent on a Government system is one that I don't think is good for the individual or the family.

I don't think we do them a favor by saying, "Yes, you can rely on this program," and then they get the little, safe haven—it's not a good haven, but it is a safe haven in terms of that situation versus going out looking for a job—all the things that go with being out in the marketplace. It really concerns me that we don't try early on to get these people to recognize that they are better off getting into the job market, even if you have to do it at the bottom rung, which most of us start out that way—I did—that they are better off to do that.

For instance, take the 15-year-old girl who gets pregnant and goes on AFDC. Suppose she has another couple of kids over a 4- or 5-year period. By the time she's 25, her youngest child is 6. At that point, according to the rules of the program, now we're going to tell her, "You've got to go out and look for a job."

And unless we have a CWEP program, she goes out and looks, she doesn't find a job, so she remains on welfare. When her youngest child is 18, we tell her, "You no longer have a choice. Now you're 45 years old, you have no education, you have no job experience; you have nothing to back you up in terms of going out and getting a job—now you're on your own."

That's the wrong time to tell her she's on her own. The time to tell her is when she's 16, 17, 18. Get her to go—not tell her she's on her own, but get her to go into the job market. Get her to build some skills. Get her to realize that that's the world you need to be in because that's where you're going to be the most successful, not staying in the welfare program.

Mr. DONNELLY. I think we'd all admit that the AFDC program is not one of the great successes of the American governmental structure, and I would have to disagree with your analogy of the working woman, that such a great percentage of women are out there working today and their children are in day care because, in many instances, we're talking about two different economic classes of people.

It's much easier for, say, the daughter of an individual who's earning \$30,000, \$40,000, \$50,000, who is a homeowner, and is college educated, who marries somebody and has two children, and the husband turns out, very frankly, to be a bum, and he leaves her with those two children.

It's very easy for her, who has not been economically disenfranchised, who comes from a family with very strong economic ties, it's easier for her to get back into the labor market, but if you take individuals who are at the lowest rung of the economic scale in this Nation, whose parents weren't homeowners, whose parents didn't have a good job, it's much more difficult for them. It's easy to say, "Go out and look for a job. You ought to be out there looking for a job. You ought to be out there contributing to society and receiving the benefits of participating in the private sector."

There are many doors closed in this Nation still—economically, socially, educationally. And for the people who have had the doors closed most on them, we have the AFDC program. We are now going to mandate that they go out and look for work, and these are the individuals who haven't had access to education, or job training. Because of all the fiscal restraints and the budget cuts that have taken place in this country over the last few years, there isn't a lot of job training available for these individuals.

We are asking people to go out—that case study that you used—that 18-year-old mother to go out and look for a job. This individual probably wasn't able to finish high school, does not have a high school education because of her circumstances. She probably has very little support, on whole, from her own parents, her own mother and father.

The question, obviously, is, where do they get the job, if there were jobs and, how do we make it easier for them to reintegrate into the private sector?

I don't see the proposals that the administration is making, making it easier for these individuals to reintegrate. It's easier for the daughter of a banker to reintegrate. It's easier for the daughter of a Congresswoman, Congressman, to reintegrate. It's much more difficult for the daughter of some of the poorest people in this country, to reintegrate.

Ms. McMAHON. I think community work experience is one of the things that helps do that. One of the experiences that we are finding is that recipients who have not been in the job market, are nervous about the idea, don't feel they have the support. CWEP gives

them the support. In my mind, it's like—for somebody who has gone to college—going from high school, to college, to being out on their own.

While you're in college, you have sort of the protections, and yet some of the responsibilities of adulthood, so you're making that transition.

CWEP is that kind of thing. You don't just get thrust out into the world on your own. The system is protecting you in the sense that we're still paying you welfare benefit, while we're honchoing you—going out and being a part of the job market. We're dealing with your sponsor, we're helping you make sure that you do what you're supposed to do, so that you're not just out there on your own, and you have something to fall back on while gaining the experience of working.

It helps you create some skills, if you don't have any. Most of the jobs in this country do not require specific skills, they just require being able to show up, to function as a person, to use a telephone, to interact with people. There are a lot of job skills that are learned—and these are probably the most basic job skills—just by being in the work environment. So, they get that kind of experience.

They also get access to job leads. Many of the people—as I cited, 20 to 30 percent in a number of these programs—are actually getting into regular employment because they go into a CWEP job. They get experience. They have something to put on a résumé, which they never had before. They learn about other jobs. You know how it is. When you're in the job market, you've got a better chance of knowing about other jobs and, in some cases, those jobs are actually filled rather than remaining as CWEP slots. Money will become available in the system, and the city administrator will say, "Hey, let's hire this person." That's happening. So, that creates an opportunity to reintegrate.

Mr. DONNELLY. I don't see how you can create more and better opportunities by spending less money. It has never worked that way. It has never really worked that way.

Ms. McMAHON. We're not spending less money. What we're doing is having a greater offset.

Mr. DONNELLY. Well, we can argue statistics on what we're spending, in relation to the economic problems in this Nation but, in my opinion, overall we're spending less money. Would you agree that the AFDC program does not work well?

Ms. McMAHON. That's such a general statement. There are pieces of it that don't work well. We have created a certain amount of dependency, which I think is unfortunate. It's not a favor to the people who are on the program.

I think in terms of its being there, as a last resort, it does that. It does provide assistance to people who have need. So, in some ways, it works, but it doesn't do all the things that maybe we would like for it to. I'm not sure that any welfare program can ever do all the things that we think we would like in terms of meeting people's needs, getting them back into the mainstream of economic society. We have to continue to work at it, but I think this administration has made great strides in terms of focusing more on what can be done with this kind of program.

Mr. DONNELLY. I think we just had a philosophical disagreement on that, but I certainly respect the work you have put into this proposal, and I respect your philosophic outlook.

The problem is that, practically, as I see it, in the city of Boston, for example, very practically, in my opinion, from talking to recipients of this program, I don't see—if the Congress adopted in toto the President's proposals from day one, that there would be a substantial reduction in the caseload that would not adversely affect the individuals in what you refer to as the nuclear family unit.

Without getting into rhetorical excesses on this, it's a proposal that I think is made solely on fiscal grounds, with no consideration of the substantive goal of the program. That is my disagreement.

There's tremendous talk now about equal rights for women. The greatest violation of women's rights, in my opinion, has been the Government's inability or the Government's unwillingness—and not just the Reagan administration, but other administrations—to deal with the whole problem of AFDC, of the mother left alone with children, left to raise them on her own. It's almost literally a caste system for one whole segment of society, with limited opportunities for people who have had very little opportunity.

Most of the people who, for short term, go on AFDC, and are able to return to the job market, are people who entered AFDC from a different level. They entered AFDC with, maybe, a college education. They entered AFDC, maybe, from a middle-class background, but the people who are forced to stay on this system and belong to the lowest levels of what I consider to be an outrageous caste system, are people who have always been disenfranchised.

Your daughter and my daughter, should they be in the circumstances of having, for a short time, to receive AFDC, are the people that have the best ability to get off AFDC because of their financial circumstances, their educational backgrounds.

The people who are most ill-treated by this program are the people in society that have always been ill-treated. To say to people that what you ought to do is go out and look for a job, without substantial investments in job training, in care for their children, I think is just—it's hoping for something to happen that really is not going to happen.

I think we all hope that this would be a short-term program. We all hope that people could pull themselves up by their bootstraps and get back in the mainstream. There is no greater feeling than going out and earning a living, and there's just too many people in this country who think that the people on AFDC don't want to go out and earn a living, that they just want to sit there and collect the Government dole. The rhetoric that surrounds this program is totally outrageous because the women that are affected by it are the most ill-treated people in society.

Ms. McMAHON. In Oklahoma, two-thirds of their placements in private sector jobs were young mothers with children under the age of 3. That is an example of how we can use the program to move those people out of dependency because I think that's the best favor we can do for them. And those are the people—the ones you are talking about—who—in fact, don't have the education and don't have the parental support.

I feel, as you say, that we probably have a different philosophical approach. But as a woman, my feeling is that the biggest favor society can do for me is to give me the opportunity and the impetus to go out and be independent because that's where I'm going to be better off.

Mr. DONNELLY. Why aren't we recommending, instead of mandating that people go out and look for jobs that they are probably not trained for, why aren't we recommending moneys in a program where these people could go back and get an education because they were unable to receive a minimum high school education?

In the long term, it's going to save the Federal Government a tremendous amount of money, because of the socioeconomic impact of living in a poverty caste system. The fiscal impact of that is going to cause many more long-term budgetary problems than can be justified by the short-term savings achieved by adopting the President's program.

It seems to me that we're being penny wise and dollar foolish in our cuts in the AFDC program, and we always have been. We've never invested the amounts of money that need to be invested to get the long-term savings that we can achieve. The socioeconomic impact on society that would be so positive, but we don't do it. We don't do it because it's politically unpopular. We don't do it because we're looking for short-term fiscal savings.

Ms. McMAHON. Well, unfortunately, the history of many of the training programs—

Mr. DONNELLY. How do you explain to people—we're going a little bit long, and you and I probably could debate all day.

I suppose you have to ask the question of fairness, and fairness has become somewhat of a political code word on both sides of the aisle, but how do you explain to these people that have been and are the most disenfranchised, that we adopt programs where some of the most wealthy people in this Nation receive substantial tax benefits through the tax legislation; that we spend the amounts of money that we're spending in some programs for the middle class and more wealthy people in this Nation and those that are stuck in this cycle of poverty and disenfranchisement are asked to take, over the last 2 years, a greater burden than other people in this society have been asked to make?

I think that continues the cycle of frustration, not with the system, but with their entire lifestyle, that is not, in the long run, helpful to getting people out of that cycle of poverty.

That question of fairness, as you sit there on the lowest rung of the economic and social levels in the society and you look up, and the people up there at the top, they're getting all the breaks and you're not getting any breaks, other than being told to go out and find yourself a job.

It's not easy to go out and interview for a job when you can't afford to have decent clothes, and a nice suit to wear to an interview. You can't afford to go and have your hair done up, or have your hair cut, because you have to make choices between clothes for your children and clothes for yourself.

Some of these people are living on such marginal incomes under AFDC that when they go for a job interview, they make a poor physical appearance, along with their lack of education, along with

the whole stigma of being an AFDC mother, along with the fact that they don't know anybody in the personnel office, that they are disenfranchised from all levels of society.

I don't think—and the substance, I suppose, of our debate this morning is that I don't think making these short term budgetary recommendations is going to do anything to break the back of that AFDC cycle, and that is something that is really not a partisan issue.

That is something that, really, is a moral issue. We have to go out and break the back of that, and the only way that I see is, spend some money. That's an unpopular thing to say today. It is certainly not popular to say, "Let's spend some money on AFDC".

It's the old theory of people driving the Cadillac and pulling up to the welfare office, picking up their big check. You know as well as I do that if there are cases of that, it is a miniscule percentage of AFDC recipients. Most AFDC recipients are living in the depths of poverty and they are women.

We can talk all we want about equal rights and opportunities for women but, too often, we're hearing it about the individuals in society who are the most fortunate. We don't hear enough about the most disenfranchised women in society, and those are the women on AFDC. We're not breaking the back of that cycle with these recommendations, nor were we with President Carter's recommendations, I don't believe.

It's very easy to talk about President Reagan and AFDC, and some of the rhetoric that has surrounded that, but that's a political debate that doesn't help the people at the lowest rung of society, and you are charged with coming up with the innovative programs that are necessary, and I just don't see your programs being innovative.

Nobody likes to save money more than I do, and I have a series of ways that we can save it, but we're asking these people to take the biggest brunt, and it simply is not fair, and the innovation that ought to be there, that ought to be proposed, is not there either.

These programs aren't innovative; you're cutting back. There's really no great innovation. This program will maybe work for your daughter. This program would maybe work for my daughter, but I'm not so sure that this program will work for people that have always been disenfranchised.

You and I were lucky enough to receive a college education. You and I were lucky enough to receive positions of prestige, economically and socially, in society, but the greatest percentage of those women on AFDC, their parents were not, and this program doesn't really address that problem.

Ms. McMAHON. I would invite you to look more closely at what States are doing in the work program area. There have been a lot of innovations in the last 2 years. We've provided some flexibility that hasn't been there.

Spending money is not the answer. I think that's one of the things we've learned in 50 years of history with this program. I agree with you that some money has to be spent up front, but in terms of just throwing money at the problem, that's not going to do it.

Mr. DONNELLY. That's part of the rhetoric I said I didn't want to talk about. I don't want to talk about throwing money at the problem, and spending money just will not solve the problem.

You can't retrain somebody, you can't provide decent housing and decent food and clothes unless you spend money. One of the great disservices people in my business do to the electorate is make hundreds and hundreds of promises, and then not make the promise on the other end that we're going to have to raise your taxes to pay for that.

We cannot break the cycle of AFDC. We cannot help the most disenfranchised people unless we spend more money. You think that these people can become mainstream members of society, by spending less? I mean, how does it happen?

Ms. McMAHON. Well, as I explained, it's a question of spending money up front, but having program savings at the end so that you end up with—

Mr. DONNELLY. The question is, what if the nuclear family is only the mother and the three children—no mom and dad, no aunts and uncles with any financial resources, or friends in the personnel office, or friends in a politician's office, to help them find employment, no job training because it has been eliminated, very little public service employment, no educational opportunities—where do they go?

They'll follow your rules. They'll follow all the rules and regulations you make because they have to, because they need to feed their children. They'll do it. If you ask them to go out and sweep a street and provide community work, they'll do it because they are going to feed their children no matter how degrading the circumstances you impose on them.

To me, some of the most heroic women in America are AFDC mothers because there is nobody who cares more about their children because they will live in terrible sociological and economic circumstances for the sake of their children. We should admire these women, but we treat them as if they are a segment of society that we'd like not to talk about.

I don't mean to engage in rhetoric but there's innovation needed in your program, and I don't see the innovation. Our policy and our job here on the Budget Committee is to deal with the whole fiscal picture.

My feeling is that we can afford to make some up-front investment in these people because of the long-term fiscal savings that will accrue to society. I think we'd bite off our nose to spite our face if we want to continue this program that, in many cases, doesn't work and we just continue going along in the way that we're going. Whoever takes your place and whoever takes my place years down the road will have the exact same debate about the exact same economic and social circumstances of these individuals, as we've been having for the last 20 years.

I haven't seen their lives get better over the last 20 years, and I don't see their lives getting any better if we continue the system. And you have no comment on that?

Ms. McMAHON. Well, I think I've made all the comments that I need to.

Mr. DONNELLY. Let me just say that many of the members wished they could be here today, but we are dealing with the social security legislation, which is of a very controversial nature. I would ask that members of the task force have 5 days to submit questions in writing to you and your agency, and we look forward to working with you.

Ms. McMAHON. We'd be happy to have your questions, and I hope we can point out some additional things to you about where innovations, in fact, have been made.

Mr. DONNELLY. Thank you very much.

Ms. McMAHON. Thank you.

Mr. DONNELLY. Our next witness is Robert Leard, Acting Administrator of Food and Nutrition Service, Department of Agriculture. Mr. Leard, we welcome you.

STATEMENT OF ROBERT E. LEARD, ACTING ADMINISTRATOR, FOOD AND NUTRITION SERVICE, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY VIRGIL CONRAD, DEPUTY ADMINISTRATOR FOR FAMILY NUTRITION AND THE FOOD STAMP PROGRAM; AND GEORGE BRALEY, DEPUTY ADMINISTRATOR FOR SPECIAL NUTRITION PROGRAMS

Mr. LEARD. Thank you very much, Mr. Chairman, for the opportunity to appear before you today to discuss the fiscal year 1984 budget and legislative proposals for the programs administered by the Food and Nutrition Service of the Department of Agriculture.

My name is Bob Leard; I'm the Acting Administrator. I'm accompanied by Virgil Conrad, on my left, who is the Deputy Administrator for family nutrition and the food stamp program, and George Braley, on my right, who is Deputy Administrator for our special nutrition programs, which include all of our programs, for children and for low-income pregnant women.

I want to give you some specifics on the new budget, but I would first like to identify the major food assistance programs for which FNS is responsible.

These programs are generally targeted to those most in need, and are largely means tested, with the income and financial situation of the recipient being the primary criteria for eligibility.

The largest of our programs is the food stamps program, with 22 million participants and a budget of \$1 billion per month. It is twice as costly as all our other food assistance programs.

The next largest is the school lunch program. It serves about 23 million school lunches each school day, and is the cornerstone of our child nutrition programs. The school breakfast program serves 3.4 million children. The child care program, which includes family day care homes, serves 1 million children in day care situations. The summer food program, which is directed to needy children and operates mostly in large cities, serves meals to 1.4 million children each summer.

We also administer the supplemental food program for women, infants, and children, the WIC program. The food distribution program is another of our programs. This program makes a variety of foods available to a number of outlets, including schools, hospitals,

penal institutions, summer camps for needy children, nutrition programs for the elderly, and needy families on Indian reservations.

In addition, we administer the special dairy distribution program, which provides surplus dairy products, currently cheese and butter—to food banks and other organizations, for distribution to the needy.

In December 1981, we began distributing surplus cheese to needy families. After 1 year of operation, the special distribution had reached nearly 10 million needy people. So far, States have ordered more than 400 million pounds of cheese and 124 million pounds of butter.

As you can see, we have many food assistance programs and they represent a substantial effort on the part of the Federal Government. We estimate that the food assistance programs support, in whole or in part, over 95 million meals a day.

I have some charts in the background. I will be glad to turn through those if you'd like to see them.

FOOD STAMP PROGRAM SUMMARY

This is basically a summary of our food stamp program. In the upper left is the means test, which is the basis for determining eligibility. It is based on the thrifty food plan which is a low-cost nutritious diet plan. It's structured for our recipients, and is constantly updated.

In the upper right are the levels at which our program is operating. On the lower right are some of the potential fraud, waste, and abuse areas.

This chart basically shows the three major parts of the program. Of course, there's certification and verification of recipients' eligibility which leads to issuance, which leads to redemption.

The little clouds below each of those are the types of problems that we see in each of the various parts of the program. Listed below are the solutions, some of them are in forms of legislation, or in regulations that we have undertaken in the last 2 years to meet the problems of waste, fraud, and abuse.

Down at the bottom, I would mention an initiative that FNS has recently undertaken called Operation Awareness. This is a plan to interface with the States and assist them in improving their management of the program system, to find where their errors are and to bring innovative ideas to them and get them out to see what other States are doing so that we can assist them in bringing their error rates down. We think this will have some great potential in the next few years.

Again, I might point at the bottom, administrative complexity has been and continues to be what we feel is our major problem.

This is a summary of our antifraud activities. In covering 1981 and 1982, please note that the compliance area concerns the retailers cooperating in the food stamp program; in regard to fraud investigations, they are generally done by our Inspector General. As you note, we are making progress there.

Let's turn now to the food stamp program for fiscal year 1984. The food stamp program has experienced rapid growth over the past 10 years and has been subject to constant modification which

has served to further complicate its complex administration, which has contributed to increased error.

The goals of our 1984 food stamp proposals are: First, to streamline and simplify the program so that errors at certification can be reduced; second, to revise the error sanction system so that we subsidize only 3 percent of State errors; third, to improve the work policy in order to encourage employment; and, fourth, to curb the rate of benefit growth while minimizing the impact on those most in need of our support.

PROPOSED BUDGET

Our 1984 proposed budget for the food stamp program is \$10.9 billion. This is \$766 million less than what the program would cost in 1984 if there were no changes. Over half of these savings are due to the proposed revision of State agency liability, and 25 percent from simplified administration, with the remainder from revised work policy and curbing the rate of benefit growth.

I think it's critical to note that 80 percent of the savings will come about as a result of reduced payment made in misexpenditures, and from increased sanctions to States because of high error rates—not from recipients' benefits. This proposed budget was designed to minimize the reduction of any household's entitled benefits.

We propose to revise and simplify the program's system of deductions. First, we would establish a standard shelter deduction set initially at \$140, but adjusted April 1 of each year. It would replace the existing standard deduction and the itemized excess shelter expenses deduction.

Second, we would replace the 18 percent earned income deduction with a standard earned income deduction set at \$75 a month for households with full-time workers.

Third, we would retain the dependent care deduction so that households who need to pay for child care in order to work, could claim up to \$115 a month as a deduction.

These proposals would achieve an estimated \$326 million in savings in fiscal year 1984. Since about one-third of these savings come from simplification and error reduction, the impacts on households are not great—an average loss in benefits of 7 cents a day.

Among households headed by women who have children, 13 percent will have no change while 46 percent will receive more benefits; the average change will be a loss of only 2 cents a day.

As you will note on this chart, we have decreased our computations for the caseworker considerably, which would greatly reduce the administrative burden.

Another food stamp proposal is part of the Government-wide plan to delay cost-of-living adjustments. We propose to delay the COLA adjustment in the thrifty food plan, the basis for benefit amounts, from October 1, 1983 until April 1, 1984.

While nearly all households would be affected by this proposal, it is not a reduction in benefits but merely a delay in effectuating scheduled changes. This proposal would save only \$32 million in fiscal year 1984, as current data indicates that the upcoming COLA

adjustment would increase benefits for a family of four by only \$1 a month.

We also propose to make households where all members receive AFDC payments categorically eligible to receive food stamp benefits. For such households, we would replace individual determinations of benefit levels with a simplified benefit determination based on average food stamp benefits for AFDC households in each State.

The benefits of average households would be unaffected by this proposal, which would save \$70 million in fiscal year 1984 through simplification and error reduction. This would simplify certification because 25 percent of the food stamp caseload is also participating in AFDC.

Our proposal to consider persons who live together as one household for food stamp purposes would save an estimated \$70 million in fiscal year 1984. Fiscal year 1984 savings would be increased by \$90 million by our proposal to require certain able-bodied persons to work in community work experience programs in order to repay the value of their food stamps.

Finally, we propose to establish State liability for the value of eligibility or overissuance errors above a 3-percent tolerance level. This will save an estimated \$423 million in fiscal year 1984.

In summary, our 1984 food stamp proposals will simplify administration of the program, reduce error, provide incentives to obtain employment, and curb the rate of benefit growth. These proposals will also target increased benefits to households with children.

The food stamp program is subsidizing nearly 30 million meals a day to children at a daily Federal investment of more than \$12.5 million. The food stamp program is a good investment to improve the nutritional diets of not only children, but also the elderly and other individuals who need our help and assistance.

In summarizing our food stamp legislation on this chart, we see the impact of our fiscal year 1984 proposal. In light brown are our projections of error reductions resulting from program simplification and standardization.

In green we see what represents the Federal subsidy to the States of 3 percent. The dark brown represents the States' targeted area for improvement or liability, and we can see that we have provided a number of tools through regulations to accomplish this.

SPECIAL NUTRITION PROGRAMS

Turning now to the other side of our household—the special nutrition programs. I will run through these charts very quickly. These are the programs at the fiscal year 1982 and 1983 levels, and average daily participation of the four big ones. This gives you a breakdown in each case of the number of free, reduced price and paid meals.

Turning to the WIC program, I'll show you how the caseload has grown for the past 5 years, from 1978 to 1983, for women, infants, and children, to the current level of 2.4 million people on the program.

This is the WIC priority system established. And, finally, this is a summary of the two programs—the WIC program and the commodity supplemental food program.

For the child nutrition programs, the legislative proposal for fiscal year 1984 was developed with three goals in view. These goals are to simplify and streamline program administration, to reduce error and deter fraud, and to curtail the growth rate in benefits.

The Department has developed a proposal which will accomplish these goals while saving \$313 million in fiscal year 1984. Of the savings, 72 percent will come from the establishment of a general nutrition assistance grant funded at \$535 million in fiscal year 1984.

Another 6 percent of the savings will come from the verification of income for the lunch program by welfare offices. The final 22 percent stems from the delay of the cost-of-living adjustment in the school lunch program for 6 months, and the creation of an independent subsidy for reduced price meals.

I must reaffirm, however, that the Federal commitment to the national school lunch program remains strong. The changes we propose represent ways to refine and streamline this program without changes in its basic nature.

PROPOSED LEGISLATION

Turning now to the individual proposals, the proposed general nutrition assistance grant of \$535 million is designed to simplify program administration for State agencies. We would consolidate funds now available for the summer food service, school breakfast, and child care food programs into the general nutrition assistance grant.

The result, we feel, will be enhanced administrative efficiencies through the reduction of program complexity and programs tailored by the States to fit the needs of their population.

In doing this, we will transfer \$76 million to Health and Human Services to consolidate the Headstart program which now is served partially under the child care food program. We would eliminate the family day care portion of the child care food program, which is \$115 million, because the program is poorly targeted and does not focus resources on the needy.

The general nutrition assistance grant was then established at 85 percent of the remaining dollars. I would like to add that we did consider doing this incrementally, with incremental changes to each of the programs. However, we decided that instead of pursuing a multitude of technical changes, it made more sense to allow the States the flexibility to tailor programs and yet become innovative and focus where they thought their needs were.

In an effort to reduce error and deter fraud, the Department is proposing to transfer income verification functions for school meals to welfare offices. Food stamp offices would receive reimbursement for their services from enhanced State administrative expenses.

This is the way this program would work. The forms would be sent to the parents to submit if they wished a free or reduced price meal. If they can show that they are in the food stamp program, they would automatically be eligible.

From those remaining cases, the school administrator would select a small sample, around 3 percent, and submit the application

form for the free or reduced price meal to the welfare office, which would then make a means test of some kind and come back to the school and tell them whether the sample was correct.

There has been some misinterpretation of this. We are not proposing that children and their parents be sent to food stamp offices to be certified to receive free or reduced price meals. Nothing goes to the welfare office but the form which is filled out and submitted to the school, and the sample is selected by the school administrator.

We would allow State and local school officials to take advantage of verification systems and expertise that exist in the food stamp offices. Our proposal would also allow States to design verification systems that best meet their needs using the resources of both the education and welfare systems.

Six-month delay in cost-of-living adjustment. This proposal, in accordance with the Government-wide policy to reduce spending, would delay the effective date of the cost-of-living adjustment from July 1 to January 1. This delay affects all subsidy levels equally. No subsidy levels currently in effect would be reduced, and free and reduced price participants would not be affected at all, since the price they pay for their meals would remain the same or none at all.

We would create an independent reduced price subsidy level. Under current law, the subsidy for reduced price meals is tied to the free meal rate. Consequently, it is overcompensated when an adjustment for inflation is made. We propose modification of this provision. Instead, a subsidy level for reduced price meals would be created that is not tied artificially to the free meal subsidy. This proposal would provide increased equity in determining subsidies. All subsidies would receive the same rate of adjustments to account for inflation.

SPECIAL SUPPLEMENTAL FOOD PROGRAMS

Turning to the WIC and commodity supplemental food program, the funding level would be unchanged from 1983 to 1984.

Finally, I would reiterate that the two major child nutrition programs, namely, the national school lunch program and the supplemental feeding program for women, infants and children have not been significantly reduced for 1984, despite the necessity to reduce the overall Federal budget.

We view these two programs as the cornerstones of our child nutrition efforts. We believe that the child nutrition proposals we have are a strong effort in regard to improving and streamlining our programs, without jeopardizing the best interests of our Nation's children.

We look forward to working with the task force, and this concludes my statement.

[Testimony resumes on p. 59.]

[The prepared statement of Mr. Leard follows:]

TESTIMONY OF ROBERT E. LEARD
ACTING ADMINISTRATOR OF THE FOOD AND NUTRITION SERVICE
U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman, and members of the Task Force, thank you for the opportunity to appear before you today to discuss the Fiscal Year 1984 budget and legislative proposals for the programs administered by the Food and Nutrition Service of the Department of Agriculture.

I want to give you some specifics on the new budget, but first I would like to quickly identify the major food assistance programs for which FNS is responsible. These programs are generally targetted to those most in need and are largely "means-tested," with the income and financial situation of the recipient being the primary criteria for eligibility.

The largest of our programs is food stamps. With 22 million participants and a budget of 1 billion per month it is twice as costly as all the other food assistance programs. The next largest is school lunch. It serves about 23 million lunches each school day and is the cornerstone of our child nutrition programs. The school breakfast program serves 3.4 million children; the child care program, which includes family day care homes, serves 1 million children in day care situations; and the summer food program, which is directed to needy children and operates mostly in large cities, serves meals to 1.4 million children each summer.

Also, we administer the Supplemental Food Program for Women, Infants, and Children (WIC). The food distribution program is another of our programs. This program makes a variety of foods available to a number of outlets, including schools, hospitals, penal institutions, summer camps for needy children, nutrition programs for the elderly, and needy families on Indian reservations.

In addition, under the auspices of the Food Distribution Program, we administer the special dairy distribution program, which provides surplus dairy products (currently cheese and butter) to food banks and other organizations for distribution to the needy. In December of 1981 we began distributing surplus cheese to needy families. After one year of operation, the special distribution had reached nearly 10 million needy people. USDA has made 500 million pounds of cheese and 125 million pounds of butter available for distribution to needy households. So far, states have ordered more than 400 million pounds of cheese and 124 million pounds of butter.

As you can see, we have many food assistance programs and they represent a substantial effort on the part of the Federal government. We estimate that the food assistance programs support, in whole or in part, over 95 million meals a day.

When this Administration took office, we inherited domestic feeding programs with one of the most rapidly increasing growth rates of all Federal programs. Had it not been for legislative changes over the last two years, which reduced potential for fraud and waste and tightened program administration, the food assistance programs would have cost almost \$21 billion this year, or 19% more than they now cost. Even with these changes, the cost of food assistance programs will have more than doubled between 1977 and 1983.

The Food Stamp Program is the major nutrition-assistance program for low-income people in this country. Around 22 million people -- nearly 8 million households -- receive food stamps each month. This program is currently at the highest participation rate it has ever been. To be eligible for food stamps, a household must meet these financial criteria.

There are three steps in the food stamp administrative process: certification, issuance, and redemption. We know that problems can occur at each of these steps. In this next chart, I want to direct your attention to some of the problems we have been experiencing in certification, issuance and redemption. I'd also like to tell you about some of the initiatives we are taking to overcome these problems.

This Administration has been responsible for substantial progress in the effort to combat fraud in the food stamp program -- whether by food stamp recipients or retailers. These are examples of progress we have made in curbing fraud, waste and abuse.

Because the Food Stamp Program has experienced such rapid growth over the past 10 years the program has been subject to constant modification which has served to further complicate the complex programs' administration and has contributed to increased error. The goals of our 1984 food stamp proposal are: (1) to streamline and simplify the program so that errors at certification can be reduced; (2) to revise the

error sanction system so that we subsidize only 3% of State errors; (3) to improve the work policy in order to encourage employment; and (4) to curb the rate of benefit growth while minimizing the impact on those most in need of our support.

Our 1984 proposed budget for the Food Stamp Program would spend \$10.9 billion. This is \$766 million less than what the program would cost in 1984 if there were no changes. Over half of these savings (55%) are due to the proposed revision of State agency liability, and 25% from simplified administration. Five percent of the savings will come from proposed changes in program work experience requirements, and 15 percent from reducing benefits or curbing the rate of program growth.

I think it's critical to note that 80 percent of the savings will come about as a result of reduced payments made in error-- misexpenditures -- and from increased sanctions to States because of high error, not from recipients' benefits. This proposed budget was designed to minimize the reduction of any household's entitled benefits.

We propose to revise and simplify the program's system of deductions. First, we would establish a standard/shelter deduction set initially at \$140, but adjusted April 1 of each year. It would replace the existing standard deduction and the itemized excess shelter expense deduction. Second, we would replace the itemized earned income deduction with a standard earned income deduction set at \$75 a month for households with full-time workers. Third, we would retain the dependent care deduction so that households who need to pay for child care in order to work could claim up to \$115 a month as a deduction. These proposals would achieve an estimated \$326 million in savings in Fiscal Year 1984. Since about one-third of these savings come from simplification and error reduction, the impacts on households are not great - an average loss in benefits of 7¢ a day. Among households

headed by women who have children, 13 percent will have no change while 46 percent will receive more benefits; the average change will be a loss of only 2¢ a day.

Another food stamp proposal is part of the government-wide plan to delay cost-of-living adjustments. We propose to delay the COLA adjustment in the Thrifty Food Plan - the basis for benefit amounts - from October 1, 1983, until April 1, 1984. While nearly all households would be affected by this proposal, it is not a reduction in benefits but merely a delay in effectuating scheduled changes. This proposal would only save \$32 million in Fiscal Year 1984, as current data indicates that the upcoming COLA adjustment would increase benefits for a family of 4 by only \$1 a month.

We also propose to make households where all members receive AFDC payments categorically eligible to receive food stamp benefits. For such households, we would replace individual determinations of benefit levels with a simplified benefit determination based on average food stamp benefits for AFDC households in each State. The benefits of average households

would be unaffected by this proposal, which would save \$70 million in Fiscal Year 1984 through simplification and error reduction. This would simplify certification because 25% of the food stamp caseload is also participating in AFDC.

Our proposal to consider persons who live together as one household for food stamp purposes would save an estimated \$70 million in Fiscal Year 1984. Fiscal Year 1984 savings would be increased by \$90 million by our proposal to require certain able-bodied persons to work in community work experience programs in order to repay the value of their food stamps.

Finally, we propose to establish State liability for the value of eligibility or overissuance errors above a 3 percent tolerance level. This will save an estimated \$423 million in Fiscal Year 1984.

In summary, our 1984 food stamp proposals will simplify administration of the program, reduce error, provide incentives to obtain employment, and curb the rate of benefit growth. These proposals will also target increased benefits to households with children.

The Food Stamp Program is subsidizing nearly 30 million meals a day to children at a daily Federal investment of more than \$12.5 million. The Food Stamp Program is a good investment to improve the nutritional diets of not only children, but also the elderly and other individuals who need our help and assistance.

Now, I would like discuss the Child Nutrition programs.

My next chart shows a list of four major child nutrition programs, their cost in fiscal year 1982, and their estimated cost this year. Also shown is the current average daily participation in each of the programs. All of these programs provide meals which meet minimum nutritional standards established in program regulations. The largest program is the National School Lunch Program. We view school lunch as the cornerstone of our child feeding efforts. The program cost \$2.5 billion last year and is expected to cost \$2.7 billion this year. The average daily participation is 23.4 million students.

50

The program costs for School Breakfast have remained virtually unchanged from last year to this year and the current average participation is 3.4 million students.

Program costs for the Child Care Food Program are expected to grow from \$300 million last year to \$340 million this year. Nearly 900,000 children participate in this program.

Finally, the Summer Food Service Program cost approximately \$90 million last year and served 1.4 million participants at its peak. The cost is anticipated to be about \$100 million this year and participation levels should be about the same as last year.

Let me briefly describe each of these child nutrition programs in terms of the children that they serve.

Currently, 43 percent of the school lunches are served free to students from families below 130 percent of poverty. Students between 130 percent and 185 percent of poverty receive reduced price meals, with a maximum charge of 40

cents per meal. Seven percent of all school lunches are reduced price. The remaining meals, which represent 50 percent of all school lunches, are served to students above 185 percent of the poverty level. Even meals served to these students receive a significant Federal subsidy. Each meal is guaranteed 22.5 cents in cash and commodity support. In addition, bonus commodities are provided which are primarily dairy products at an average rate of 8 cents per meal. All public schools and most private schools are eligible to participate in the school lunch program.

Eighty-four percent of the School Breakfast meals are served free to low-income students, 5 percent are served at reduced price and 11 percent are served to students from higher income families. As with the school lunch program, the School Breakfast Program is available to all public schools and most private schools.

The Child Care Food Program is available to children up to age 12 in nonresidential institutions. Day care centers currently serve 66 percent of their meals free, 13 percent at

reduced price, and 21 percent at the paid reimbursement rates for higher income children. Generally, day care homes are also eligible for participation in the Child Care Food Program. All meals served in family day care homes receive the same subsidy. The level of that subsidy is nearly equal to the free meal reimbursement level. These meals are subsidized regardless of the income of each child's family.

The Summer Food Service Program provides free meals to children in poorer areas during summer vacation. Eligible sponsors include schools, residential camps and government agencies.

My next chart concerns the Special Supplemental Food Program for Women, Infants and Children which is commonly referred to as the WIC program. Our most recent participation figures show that 2.4 million women, infants and children are currently receiving WIC benefits. The chart shows the historical growth of the WIC program since 1978. As you can see, the program has grown dramatically in recent years. Funding for the program now exceeds \$1 billion and participation has more than doubled over the past five years.

The expected average participation in the program this year includes 1,120,000 children, 640,000 infants and 490,000 women. This program is not an entitlement program. Funds are appropriated and allocated to States.

A priority system has been established for the program. The top priority of participants includes pregnant and breastfeeding women and infants with documented medical or nutritional problems. The second priority is infants of women who participated in WIC during pregnancy or were eligible for the program but did not participate. The third are children with documented medical and nutritional problems. Fourth are pregnant and breastfeeding women and infants with inadequate dietary patterns. Fifth are children with poor dietary patterns; and finally, the sixth category is post-partum non-breastfeeding women.

Let me briefly describe how the WIC program operates. It provides special food packages geared to the nutritional needs of each category of participant. These packages

include items such as milk, eggs, juice and iron fortified cereal. The program combines these food supplements with health care services and nutrition education available at the WIC clinics. The Federal government provides grants to State agencies to operate the program through State health departments. In most cases, the WIC participants obtain their food through commercial food channels such as grocery stores and dairies using a voucher system.

The bottom of this chart describes a program which serves a similar clientele to that of the WIC program. This program is called the Commodity Supplemental Food Program, or CSFP. In fiscal year 1983 the authorized caseload for this program was 146,125 women, infants and children. Benefits are provided to women, infants and children up to age 6. Commodities are purchased by USDA and provided to CSFP sponsors in commodity form. The program currently operates in 12 States at 26 sites. In general, the CSFP is less expensive than the WIC program on a per participant basis but the linkage to other health services and the screening of people before they are let into the program is much less strict.

Goals of Legislative Proposal

For the Child Nutrition Programs, the legislative proposal for Fiscal Year 1984 was developed with three goals in view. These goals are:

- (1) To simplify and streamline program administration,
- (2) To reduce error and deter fraud, and
- (3) To curtail the growth rate in benefits.

The Department has developed a proposal which will accomplish these goals while saving \$313 million in Fiscal Year 1984 and \$2.3 billion across five fiscal years (Fiscal Year 1984-88). Seventy-two percent of the savings will come from the establishment of a General Nutrition Assistance Grant funded at \$535 million in Fiscal Year 1984. Another six percent of the savings will result from the verification of income for the lunch program by welfare offices. The final twenty-two percent stems from a delay of the Cost of Living Adjustments for six months and the creation of an independent subsidy for reduced price meals. I should reaffirm, however, that the Federal commitment to the National School Lunch Program

remains strong. The changes we propose represent ways to refine and streamline this program without changes in its basic nature.

(1) The General Nutrition Assistance Grant

The proposed General Nutrition Assistance Grant of \$535 million is designed to simplify program administration for State agencies. By consolidating funds now available for the Summer Food Service, School Breakfast, and Child Care Food Programs into the General Nutrition Assistance Grant, State flexibility will increase substantially. The result will be enhanced administrative efficiencies through the reduction of program complexity and programs tailored by the States to fit the needs of their population. This consolidation of programs will result in reduced program costs of \$208 million and reduced State administrative expense (SAE) of \$9 million in Fiscal Year 1984. I would like to add that we did consider incremental changes to each of these programs. However, we decided that instead of pursuing a multitude of technical

changes, it made more sense to allow States the flexibility to tailor the programs to the needs of their localities.

(2) New Income Verification Initiative

In an effort to reduce error and deter fraud, the Department is proposing to transfer income verification functions for school meals to welfare offices. Food Stamp offices would receive reimbursement for their services from enhanced State Administrative Expenses. I am concerned that our proposal is being widely misinterpreted. We are not proposing that children or their parents be sent to food stamp offices to be

certified to receive free or reduced-price meals. We will allow State and local school officials to take advantage of verification systems and expertise that exist in the Food Stamp offices. Our proposal will allow States to design verification systems that best meet their needs using the resources of both the education and welfare systems.

(3) Six-month Delay of Cost-of-Living Adjustment

This proposal, in accordance with the government-wide policy to reduce spending, would delay the effective date of the cost-of-living adjustment from July 1 to January 1. This delay affects all subsidy levels equally. No subsidy levels currently in effect would be reduced, and free and reduced-price participants would not be affected at all, since the price they pay for their lunches would remain the same.

(4) Create an Independent Reduced-Price Subsidy Level

Under current law the subsidy for reduced-price meals is tied to the free meal rate. Consequently, it is over compensated when an adjustment for inflation is made. We propose modification of this provision. Instead, a subsidy level for reduced-price meals would be created that is not tied artificially to the free meal subsidy. This proposal would provide increased equity in determining subsidies. All subsidies would receive the same rate of adjustments to account for inflation.

(5) WIC/CSFP funding level will be unchanged from 1983 to 1984.

As this chart indicates, the funding level of the WIC and CSFP programs will remain unchanged from 1983 to 1984.

The Fiscal Year 1984 budget proposals represent the continuation of a new system designed to re-establish the balance of decisionmaking among the Federal, State and local levels of government. As stated before, the goals of the budget are to simplify program administration by consolidating programs and providing States the flexibility to tailor the specific programs offered to the needs of their localities, to reduce error and deter fraud by transferring income verification responsibilities from school administrators to trained and experienced food stamp staffs, and to curtail growth in spending by delaying the cost-of-living adjustments by six months and creating a separate subsidy level for reduced-price meals. We believe that this legislative package is a positive effort to improve program operations at all levels of government.

Finally, I would reiterate that the two major Child Nutrition programs, namely, the National School Lunch Program and the Supplemental Feeding Program for Women, Infants, and Children (WIC), have not been significantly reduced for 1984 despite the necessity to reduce the overall Federal Budget. We view these two programs as the cornerstones of our Child Nutrition efforts. Still, there is need for improving and streamlining all programs. We believe these child nutrition proposals are a strong effort in that regard without jeopardizing the best interests of our nation's children.

Summary

In summary, I think you can see the common sense in this budget. It faces the economic realities. Yes, we will have

to tighten our programs because of the deficit. We will do this by streamlining program management and operation and by reducing errors and program abuses -- "misexpenditures," as we call them. But the proposed budget would keep the benefits of the major entitlement programs -- food stamps, school lunch, and WIC at about the same level as last year. Taken together, these proposals are a package that addresses human needs as well as economic needs -- a package that transcends budget politics.

We look forward to working with this Task Force on our proposals.

This conclude my statement.

I will be glad to answer any questions you may have at this time.

Mr. DONNELLY. Thank you very much. I suppose my first question is a perceptual one. How can we recommend cuts and reductions in growth of nutrition programs at a time when the Nation is facing its worst economic crisis and is suffering its worst recessionary period since the Great Depression?

This is the time, during the times of high unemployment, during times of economic crisis and chaos, the Government ought to be investing more. It seems that we always look to cut at times of greatest economic problems, and then in good times, we really don't look at programs probably as closely as we ought to. I see a reversed priority here.

I think that when you have States like Michigan and New York and various States across the country that are suffering such high unemployment, the Federal Government ought to be helping these people out through rough times. What we have been doing over the course of the last few years is, reduce or limit the growth of subsistence programs when the number of people eligible for these programs is growing by leaps and bounds because of unemployment.

Mr. LEARD. Mr. Chairman, I would comment on this specifically with respect to the food stamp program. It's at the highest level that it's ever been, and it is growing. It's not a program that is doubtful. If people are eligible, they are being brought into this program.

Almost all of our programs are growing. I would also comment that in this fiscal year 1984 budget, as I mentioned earlier, 80 percent of it is trying to streamline the program so that we can take what we have, in a time of limited resources, and focus it on the needy and the elderly and not on waste, fraud, and abuse.

We need to simplify and streamline our programs so we can focus every bit of what we have available to the truly needy.

Mr. DONNELLY. I'd like to talk about your proposed allowable error rate of 3 percent in the food stamps program. You are aware that under the Dole legislation which is current law, we expect 9 percent error rate in 1983 to be reduced to 5 percent in 1984.

I think what we need to do is to talk about how we are going to get that error rate, if we in the Congress adopt your proposal, how are we going to get that error rate down to 3 percent when we are on a track system of 9-7-5, to get to that 5-percent rate in 1985?

Mr. LEARD. It has been our perception, sir, as we talked to the welfare workers—

Mr. DONNELLY. We all want a zero percent error rate. That's the ultimate goal. In reality, we'd all like to move toward that because the more error we're able to eliminate from this program, the more funds would be available to the truly needy. It has to be shown to me how we are going to get to that 3 percent without going through a situation where we would be depriving the truly needy of nutrition that is necessary for themselves and their families.

Mr. LEARD. As we go out and talk to the food stamp people around the country, the one thing we have perceived is that as this program has grown—and it has grown over the past 10 years by leaps and bounds—that a Band Aid has been applied here, and a Band Aid has been applied there. New rules have been created,

and something's been done because as it's grown, obviously, more sophisticated ways to get around the program have been devised.

Over the past several years, there has been a lot of legislation and new regulations resulting in the caseworker now being inundated. As I said, our program is at the highest level it has ever been. More and more people are in there each day, and our caseworkers are saddled with a system that's an anachronism.

They've got to make all these computations. They've got to go through a tremendous number of steps to find out not only are you eligible, then how much are you eligible for.

One of the things we're trying to do in our fiscal year 1984 budget is simplify this program by reducing steps, taking out a multiplication step and making a standard benefit, and saving time. What we know is that if we can standardize, for instance, the categorical eligibility, which takes the AFDC 25 percent, and saves a computation for them—if we can save the time there, then that caseworker has time to go out and focus on what we call the cases that are the error prone cases. And we profile them. We all know where the errors are going to come.

The elderly people are not the problem. It's going to be the households that are constantly changing in status, and have workers coming in and out, and have some kind of means change.

So, one of the things we want to do is simplify the lot of the caseworker so they can focus on the problems. We think that will help bring down this error rate. There are some other things we are doing.

From our initiatives, it's simplifying deductions, the categorical eligibility and giving them incentives. In the State initiatives, we think that they have got to tighten up, improve management and, of course, our operational awareness is going to help them get down there also. It's a combination, sir, of simplifying and standardizing and assisting the caseworker, and also, quite frankly, giving the States some incentive to get error rates down lower.

Mr. DONNELLY. What about the States that are ravaged and hit hardest by the recession? Aren't we asking those people who are facing increased numbers of applicants and eligible recipients to take on an enormous task, a task that it's going to be almost impossible for them to achieve when they don't have the additional revenues for increased staff?

I would suspect, in some States—we are treating this problem as sort of an across the board, that all 50 States ought to get to this 3 percent error rate. Now, there might be a State or two in this Nation that can do that, some of the less populated States, some of the States that haven't been hit so hard by the recession, but when you take your larger industrial States where the caseload is increasing at a rapid rate, that's a doubly difficult task you're asking those States to perform.

Mr. LEARD. Two things, Mr. Chairman. One is, you would be amazed, there's not really a correlation between higher unemployment States and the high error rate. Some of the least likely States have the highest error rates.

Mr. DONNELLY. I wish you would submit those facts and figures for the record.

Mr. LEARD. Yes, we will, sir.

[Testimony resumes on p. 68.]

[The information referred to above follows:]

SEMIANNUAL SUMMARY REPORT OF
FOOD STAMP QUALITY CONTROL REVIEWS

APRIL 1981 - SEPTEMBER 1981

U.S. Department of Agriculture
Food and Nutrition Service
Family Nutrition Programs
Administrative Integrity Branch

U.S. DEPARTMENT OF AGRICULTURE
FOOD AND NUTRITION SERVICE
FAMILY NUTRITION PROGRAMS

STATE OPERATIONS DIVISION

REPORTING PERIOD
April 1981 - September 1981

REPORT FOR
United States

TABLE 1: COMPARISON OF FOOD STAMP QUALITY CONTROL FINDINGS WITH PREVIOUS REPORTING PERIOD ^{a/}

ITEM	CASES		DOLLARS	
	THIS PERIOD	PREVIOUS PERIOD	THIS PERIOD	PREVIOUS PERIOD
	Apr - Sept 81	Oct - March 81	Apr - Sept 81	Oct - March 81
<u>Active Cases</u>				
Average Monthly Caseload	8,187,445	8,179,561	885,484,591	820,134,527
Completed Sample Reviews	49,135	50,845	5,390,952	5,088,581
Percent of Required Sample	93	94	N/A	N/A
Percent in Error ^{b/}	25.24	26.94	11.84 ^{1/}	13.05 ^{1/}
Overpayments	17.96	19.26	9.41	10.42
Ineligible	4.92	5.45	4.59	5.27
Overissuance	13.04	13.81	4.82	5.15
Underpayments	7.46	7.68	2.41	2.62
<u>Negative Cases</u>				
Average Monthly Actions	394,692	377,915	N/A	N/A
Completed Sample Reviews	28,376	30,303	N/A	N/A
Percent of Required Sample	90	94	N/A	N/A
Percent with Invalid Denial or termination ^{c/}	3.5	3.9	N/A	N/A

HIGHLIGHTS

Sample completion rates for both active and negative cases are lower than the previous period. The active sample completion rate for this period is 93 percent, last period's rate was 94 percent. The negative sample completion rate for this period is 90 percent, last period's rate was 94 percent.

April 1981 - September 1981 is the second reporting period in which all States' dollar error rates were based on Federal review findings.

The dollar error rate for this period is 11.84 percent. Last period's rate was 13.05 percent. This period's 11.84 percent rate represents an approximate 10 percent drop from the 13.05 percent rate of last period.

NOTES

^{1/} The sum of the ineligibility overissuance and underissuance error rates will not always equal the payment error rate due to adjustment for failure to meet the 95 percent completion standard and/or rounding.

TABLE 2: DISTRIBUTION OF ALL VARIANCES ^{1/}

Program Factor	Agency	Source of Variance Participant	Total
Non-Financial ^{2/}	4.6	6.7 -	5.7
Resources	4.3	26.4	16.2
Income	47.0	37.1	41.7
Deductions	38.7	29.8	33.9
Computations ^{3/}	5.5	0.0	2.6
TOTAL	100%	100%	100%

NOTES

- ^{1/} Variances occur in a case when information verified by the QC reviewer, as of the review date, differs from information used at the time of most recent certification action or when policy has been misapplied for individual elements of eligibility and basis of issuance. Not all variances will result in a case being in error. However, variances in non-error and error cases are reported and included in the above table. Also, there can be more than one variance per case and no one variance is given as the cause of error as was done in the past. As a result, breakdowns of dollar losses/case errors caused by particular elements cannot be made.
- ^{2/} The non-financial area includes variances detected in one or more of the following: tax dependency, work registration, citizenship, residency, household size and composition, or social security enumeration.
- ^{3/} The computation area includes variances resulting from arithmetic mistakes, transcription, etc., and are therefore, always attributed to the State agency.

TABLE 3: ACTIVE CASES: ERROR RATES BY STATE - April 1991 - September 1991

REGION AND STATE	Percent of Cases in Error			Percent of Dollars in Error			Total
	undiligent	overlook	undercharge	undiligent	overlook	undercharge	
United States	4.92	13.04	7.46	4.59	4.82	2.41	11.84
<u>Northeast</u>							
Connecticut	7.49	13.46	6.56	8.07	3.63	2.54	16.24
Maine	4.26	10.55	7.40	3.28	3.22	2.34	8.84
Massachusetts	7.22	11.79	5.04	6.24	4.08	1.45	11.77
New Hampshire	7.65	14.78	7.39	6.03	6.27	2.39	14.69
New York	6.93	13.27	8.91	6.83	5.58	3.20	15.74
Rhode Island	4.99	12.76	5.13	3.72	5.47	2.00	11.19
Vermont	6.38	8.41	5.22	5.88	3.11	1.57	10.56
<u>Mid-Atlantic</u>							
Delaware	3.35	10.31	6.44	3.08	3.99	1.64	8.73
Dist. of Columbia	5.67	15.49	13.00	5.90	6.55	4.41	16.93
Maryland	8.92	12.75	6.67	9.64	5.03	2.07	16.74
New Jersey	4.94	11.23	6.21	3.75	5.07	2.39	11.23
Pennsylvania	5.82	10.90	5.49	5.40	3.26	1.93	10.61
Puerto Rico	4.12	19.81	7.46	2.90	4.85	2.07	9.83
Virginia	4.24	10.85	7.91	4.03	2.72	2.26	9.02
Virgin Islands	2.13	10.64	17.02	2.74	3.77	4.34	13.19
West Virginia	6.53	12.37	7.30	6.33	3.91	2.88	13.12
<u>Southeast</u>							
Alabama	3.13	11.49	6.93	2.31	3.98	1.70	7.99
Florida	5.69	18.30	7.91	6.11	7.11	2.08	15.31
Georgia	4.91	18.91	7.48	4.32	6.09	2.05	12.45
Kentucky	3.74	12.65	7.47	3.10	3.46	2.20	8.76
Mississippi	5.23	15.17	9.52	3.77	6.58	1.25	11.61
North Carolina	6.91	14.48	11.49	5.33	7.50	3.37	16.20
South Carolina	4.10	15.21	7.84	4.71	4.94	2.55	12.20
Tennessee	5.86	16.15	7.45	4.71	6.13	2.35	13.19
<u>Midwest</u>							
Illinois	4.05	10.48	6.80	4.46	3.54	3.44	11.46
Indiana	3.65	11.87	5.77	3.58	3.61	0.80	7.98
Michigan	4.67	11.53	9.95	5.71	3.53	2.63	11.89
Minnesota	2.14	9.51	4.94	4.01	4.52	1.54	10.10
Ohio	3.83	10.92	5.34	2.78	4.45	1.69	8.93
Wisconsin	5.61	9.69	7.94	5.59	3.89	3.71	13.19
<u>Southwest</u>							
Arkansas	4.20	11.24	5.90	2.95	6.57	2.57	12.09
Louisiana	4.43	14.41	8.01	4.40	6.16	2.96	13.52
New Mexico	7.62	15.43	6.61	8.06	5.80	1.77	15.70
Oklahoma	3.87	7.00	5.19	3.84	4.95	3.12	11.91
Texas	3.84	14.31	6.28	4.51	5.09	2.31	11.91
<u>Mt. Plains</u>							
Colorado	6.13	16.70	8.58	7.26	6.62	2.80	16.81
Iowa	5.84	10.71	6.01	4.22	3.68	1.35	9.26
Kansas	6.84	10.67	6.32	6.84	3.84	2.12	12.81
Missouri	3.75	11.71	7.33	3.65	4.60	2.10	10.35
Montana	6.10	12.88	9.49	5.91	5.68	2.67	14.34
Nebraska	7.02	10.53	7.99	8.52	2.50	1.87	12.89
North Dakota	8.23	6.33	7.59	3.79	2.04	1.49	7.32
South Dakota	3.30	12.45	6.59	1.95	4.23	1.63	7.82
Utah	4.74	8.98	9.23	3.49	3.82	4.16	11.50
Wyoming	5.10	12.10	2.55	5.40	8.03	1.19	14.62
<u>Western</u>							
Alaska	20.47	16.37	6.43	20.19	4.73	2.73	27.99
Arizona	5.90	18.14	10.50	4.40	5.02	3.95	13.40
California	2.26	7.74	7.74	2.35	3.35	3.35	9.11
Guam	7.48	20.41	9.52	8.04	3.19	1.96	13.21
Hawaii	2.91	8.36	8.24	5.23	1.70	2.29	9.22
Idaho	5.76	11.53	6.34	6.25	4.04	2.02	12.42
Nevada	3.02	2.24	2.26	2.33	0.75	0.57	3.65
Oregon	4.97	12.36	5.88	3.61	5.24	2.21	13.05
Washington	3.13	9.40	4.74	1.49	5.65	2.42	9.58

TABLE 4: NEGATIVE ACTIONS: CASELOAD, SAMPLE COMPLETION, AND ERROR RATES BY STATE
April 1981 - September 1981

REGION AND STATE	Caseload	Completed sample reviews		
	Average Monthly Actions	Actions	Percent of Required Sample	Percent in Error
United States	394,692	18,376	90.85	3.54
<u>Northeast</u>				
Connecticut	4,079	206	43.28	0.49
Maine	2,752	488	97.21	0.61
Massachusetts	4,344	651	92.60	1.84
New Hampshire	1,537	228	76.25	5.26
New York	50,000	352	44.00	1.14
Rhode Island	1,841	372	94.42	1.61
Vermont	1,018	242	99.18	2.07
<u>Mid-Atlantic</u>				
Delaware	962	244	97.21	.82
Dist. of Columbia	1,344	204	77.27	5.88
Maryland	5,877	685	85.63	8.47
New Jersey	6,258	851	97.04	0.94
Pennsylvania	24,338	856	95.32	5.61
Puerto Rico	3,038	471	80.06	1.49
Virginia	7,903	792	98.14	2.40
Virgin Islands	97	90	75.00	4.44
West Virginia	24,529	677	99.56	1.33
<u>Southeast</u>				
Alabama	9,923	815	98.79	1.84
Florida	4,756	836	99.17	1.08
Georgia	9,995	805	97.34	2.36
Kentucky	11,114	772	96.38	1.55
Mississippi	5,431	411	76.38	1.80
North Carolina	10,020	459	81.46	2.43
South Carolina	8,318	406	97.27	1.32
Tennessee	8,558	770	96.01	2.21
<u>Midwest</u>				
Illinois	25,909	855	95.53	2.81
Indiana	4,433	712	97.27	2.67
Michigan	16,840	908	95.88	6.50
Minnesota	3,293	462	83.70	4.94
Ohio	13,565	800	97.92	2.18
Wisconsin	1,229	141	17.63	3.55
<u>Southwest</u>				
Arkansas	4,477	761	98.45	1.05
Louisiana	9,074	822	90.83	5.11
New Mexico	2,817	479	97.16	1.46
Oklahoma	3,019	627	99.84	1.59
Texas	23,633	770	96.25	7.01
<u>Mr. Plains</u>				
Colorado	2,766	460	97.25	1.74
Iowa	5,304	585	94.35	3.42
Kansas	2,971	531	99.62	2.26
Missouri	4,682	854	98.96	2.34
Montana	712	164	91.21	4.22
Nebraska	1,630	360	99.45	2.78
North Dakota	538	155	99.36	1.94
South Dakota	747	196	98.49	2.04
Utah	2,747	456	96.20	2.85
Wyoming	380	196	99.49	1.53
<u>Western</u>				
Alaska	993	216	96.86	4.17
Arizona	3,231	591	97.36	1.52
California	36,907	629	78.63	9.54
Guam	245	150	98	2.67
Hawaii	1,360	301	9	0.66
Idaho	1,555	319	9	2.19
Nevada	1,877	360	100.00	0.56
Oregon	5,663	869	99.66	3.34
Washington	1,909	362	98.91	4.42

TABLE 9: ACTIVE CASES: CASELOAD AND SAMPLE COMPLETION BY STATE - April 1981 - September 1981

REGION AND STATE	Average Monthly Caseload		Complete Sample Reviews		
	Households	Estimated Monthly Allotment	Cases	Percent of Required To Sample	Allotment Issued To Sample
United States	8,187,443	885,484,591	49,135	92.78	5,390,952
<u>Northeast</u>					
Connecticut	70,760	5,892,893	1,189	93.81	97,016
Maine	55,714	5,980,898	1,081	94.08	114,050
Massachusetts	161,504	16,071,263	1,052	87.66	104,485
New Hampshire	21,527	2,264,189	379	91.99	38,092
New York	739,993	70,344,952	1,010	84.17	93,487
Rhode Island	34,347	3,356,493	721	94.13	61,506
Vermont	19,418	1,815,389	345	95.50	32,253
<u>Mid-Atlantic</u>					
Delaware	23,222	2,396,044	388	95.10	40,034
Dist. of Columbia	41,262	3,955,788	723	89.59	69,312
Maryland	156,589	15,868,729	1,200	97.80	121,612
New Jersey	218,383	23,045,958	1,175	92.67	124,002
Pennsylvania	610,643	36,536,908	1,202	92.60	104,936
Puerto Rico	693,325	76,361,777	1,166	93.43	180,489
Virginia	164,323	17,329,504	1,226	93.23	129,296
Virgin Islands	8,443	1,815,583	47	31.33	10,107
West Virginia	82,687	10,639,336	1,164	93.96	149,772
<u>Southeast</u>					
Alabama	212,509	23,658,627	1,184	96.18	131,812
Florida	360,838	41,341,210	1,213	97.43	138,968
Georgia	273,783	31,402,278	1,243	94.60	170,762
Kentucky	173,061	21,912,984	1,178	93.00	149,159
Mississippi	163,572	19,924,705	958	78.17	118,447
North Carolina	302,870	21,388,854	938	78.13	99,103
South Carolina	150,487	17,236,781	1,170	95.35	134,013
Tennessee	255,965	28,117,755	1,127	95.92	123,799
<u>Midwest</u>					
Illinois	412,104	43,897,318	1,383	93.83	147,348
Indiana	139,126	17,278,058	1,179	95.85	144,423
Michigan	384,204	33,391,170	1,136	94.67	98,726
Minnesota	76,867	8,792,737	1,073	89.42	94,824
Ohio	393,943	44,814,956	1,227	93.24	139,586
Wisconsin	98,686	8,579,643	1,373	95.02	120,632
<u>Southwest</u>					
Arkansas	107,035	11,363,906	1,237	96.87	131,327
Louisiana	193,421	21,924,270	1,173	97.51	132,964
New Mexico	57,788	7,209,093	1,089	90.30	135,855
Oklahoma	74,424	6,163,796	1,214	96.58	100,541
Texas	388,374	47,587,466	1,146	95.50	140,419
<u>W. Plains</u>					
Colorado	65,192	7,763,715	1,060	89.23	126,240
Iowa	65,555	6,630,233	1,148	93.26	116,639
Kansas	45,333	4,411,940	965	94.05	93,873
Missouri	143,029	15,942,012	1,255	95.51	139,887
Montana	16,698	1,844,795	293	91.05	32,493
Nebraska	28,011	2,755,162	513	95.00	50,458
North Dakota	10,392	982,668	158	98.14	14,941
South Dakota	15,594	1,739,199	273	100.00	30,448
Utah	22,926	2,254,772	401	93.47	39,438
Wyoming	5,479	502,205	157	94.58	14,623
<u>Western</u>					
Alaska	10,760	1,965,852	171	87.24	31,242
Arizona	69,004	9,023,653	1,152	91.87	150,645
California	559,435	47,798,176	1,040	88.33	90,563
Guam	5,660	1,539,672	147	94.23	39,728
Hawaii	40,875	5,930,554	825	94.04	119,702
Idaho	19,473	2,328,776	347	87.85	41,498
Nevada	14,161	1,437,908	265	98.15	26,907
Oregon	88,903	11,018,438	1,327	95.74	164,469
Washington	113,738	11,965,238	1,309	91.28	137,701

Annotations

- a/ This is a preliminary report. United States summary statistics for the April 1981 through September 1981 period may be revised as a result of the correction or adjustment of individual State Figures.
- b/ United States error rates are weighted by State caseload/estimated monthly allotments.
- c/ United States error rate weighted by estimated monthly negative actions.

Caseload and Error Rates by State - April 1981-September 1981

REGION AND STATE	Households *	Percent of Dollars in Error			Total	Unemployment Percent of Labor Force
		Ineligible	Overissue	Underissue		
United States	8,187,443	4.59	4.82	2.41	11.84	
<u>Northeast</u>						
Connecticut	70,760	8.07	5.61	2.54	16.24	6.3
Maine	55,714	3.28	3.22	2.34	8.84	6.0
Massachusetts	181,504	6.24	4.08	1.45	11.77	7.2
New Hampshire	22,527	6.03	6.27	2.39	14.69	4.4
New York	750,993	6.83	5.54	3.20	15.74	7.0
Rhode Island	39,347	3.72	5.47	2.00	11.19	7.4
Vermont	19,418	5.88	3.11	1.57	10.56	4.6
<u>Mid-Atlantic</u>						
Delaware	23,222	3.08	3.99	1.64	8.73	9.1
Dist. of Columbia	41,282	5.90	6.55	4.41	16.93	10.0
Maryland	156,589	9.64	5.03	2.07	16.74	7.2
New Jersey	218,383	3.75	5.07	2.39	11.23	6.6
Pennsylvania	410,843	5.40	3.26	1.93	10.61	7.7
Puerto Rico	493,325	2.90	4.85	2.07	9.83	
Virginia	184,323	4.03	2.72	2.26	9.02	5.4
Virgin Islands	8,443	2.74	3.77	4.34	13.19	
West Virginia	82,887	6.33	3.91	2.88	13.12	8.4
<u>Southeast</u>						
Alabama	212,509	2.31	3.98	1.70	7.99	9.3
Florida	380,838	6.11	7.11	2.08	15.31	6.7
Georgia	273,783	4.32	6.09	2.05	12.45	5.9
Kentucky	173,081	3.10	3.46	2.20	8.76	7.1
Mississippi	143,572	3.77	6.58	1.25	11.61	8.3
North Carolina	202,870	5.33	7.50	3.37	16.20	5.7
South Carolina	150,487	4.71	4.94	2.55	12.20	7.1
Tennessee	255,965	4.71	6.13	2.35	13.19	8.0
<u>Midwest</u>						
Illinois	412,104	4.46	3.54	3.44	11.46	8.0
Indiana	139,126	3.58	3.61	0.80	7.98	8.7
Michigan	384,204	5.71	3.53	2.63	11.89	11.0
Minnesota	76,867	4.01	4.52	1.54	10.10	4.3
Ohio	393,943	2.78	4.45	1.69	8.93	9.4
Wisconsin	98,696	5.59	3.89	3.71	13.19	7.3
<u>Southwest</u>						
Arkansas	107,055	2.95	6.57	2.57	12.09	8.2
Louisiana	193,421	4.40	6.16	2.96	13.52	8.2
New Mexico	57,788	8.06	5.80	1.77	15.70	6.9
Oklahoma	74,424	3.84	4.95	3.12	11.91	2.8
Texas	388,374	4.51	5.09	2.31	11.91	9
<u>W. Plains</u>						
Colorado	65,192	7.26	6.62	2.80	16.81	4.7
Iowa	65,555	4.22	3.68	1.35	9.26	6.1
Kansas	45,353	6.84	3.84	2.12	12.81	4.0
Missouri	143,029	3.65	4.60	2.10	10.35	6.7
Montana	16,698	5.91	5.68	1.87	12.89	3.5
Nebraska	28,011	8.52	2.50	1.49	7.32	4.2
North Dakota	10,392	3.79	2.04	1.63	7.82	4.4
South Dakota	15,594	1.95	4.23	1.63	11.50	5.7
Utah	22,926	3.49	3.82	4.16	14.62	3.6
Wyoming	5,479	5.40	8.03	1.19	14.62	3.6
<u>Western</u>						
Alaska	10,760	20.19	4.73	2.73	27.99	8.1
Arizona	49,004	4.40	3.02	3.95	13.40	6.2
California	539,435	2.35	3.35	3.35	9.11	6.9
Hawaii	5,640	8.04	3.19	1.94	13.21	
Guam	40,875	5.23	1.70	2.29	9.22	5.1
Idaho	18,473	6.25	4.04	2.02	12.42	6.6
Nevada	14,161	2.33	0.75	0.57	3.65	6.1
Oregon	88,903	5.61	5.24	2.21	13.05	9.1
Washington	113,738	1.49	5.65	2.42	9.58	8.9

* Average Monthly Caseload

Mr. LEARD. The correlation I think I would have to make is the States that have a commitment to good management do well. Other States don't.

What I think is important is that by these budget proposals and standardizing and simplifying, we are saving the resources of the States so that they can apply them to this increased workload.

We are simplifying that caseworker's problem for him, and that's what I think is an asset. The States can then turn around and apply it to this increased workload or to bringing their error rate down.

Mr. DONNELLY. What's the error rate in the Commonwealth of Massachusetts? I want to know if we are well managed or not.

Mr. LEARD. As of September 1981, your Massachusetts error rate was 11.7 percent, not one of the worst by any means, but not—

Mr. CONRAD. Not one of the best.

Mr. LEARD. Nevada is the lowest in the Nation. I won't tell you the highest, but—

Mr. DONNELLY. Well, I will ask, who is the highest?

Mr. LEARD. Alaska is the highest.

Mr. DONNELLY. There are a series of questions that members of the task force would like to submit in writing over the course of the next 5 days. As I said earlier, many of the members could not be here due to the social security legislation.

Mr. LEARD. We'd be happy to answer your questions, sir.

Mr. DONNELLY. I would like to ask you a question on the WIC program. You are proposing \$1.1 billion for fiscal year 1984?

Mr. LEARD. Yes, sir. Now, that's for both the WIC and the commodity supplemental food program.

Mr. DONNELLY. And how many people would be served by that?

Mr. LEARD. In the WIC program, they are currently serving 2.4 million. That caseload would probably drop to 2.3 million.

Mr. DONNELLY. Where are those 100,000-odd individuals going to receive the nutrition that is necessary?

Mr. LEARD. We would suggest that under the priority system, that some of the individuals who should be dropped off are the older children who have other programs where they can receive nutrition assistance, like the food stamp program and child care program. There is some overlap in these programs.

Our lower priorities in the WIC program are the postpartum mothers and then the older children. We certainly hope that the higher priorities—the pregnant women and the infants—are not the people that would be removed by any State from the program. The children make up the large majority of the caseload. We would hope that if the caseload must be reduced, that it comes out of the older children up in the 5-year-old range where they have other programs.

Mr. Chairman, could I let my Deputy Administrator add something here?

Mr. DONNELLY. Certainly.

Mr. BRALEY. With regard to the WIC program and that priority system, the categories of people where the real positive benefits have been demonstrated in research, are the pregnant women and the young infants, primarily the pregnant women in terms of the

outcome of their pregnancy and the birth weight of the infants that are born to them.

For the older children, the demonstrated effects of the WIC program are not nearly so strong in terms of the cost-benefit ratios and so on that are so frequently quoted for WIC. That pertains primarily to the pregnant women, and women comprise only about one-quarter of the entire WIC caseload.

Mr. DONNELLY. That WIC priority, that is a priority chart, 1 through 6?

Mr. BRALEY. Yes, sir.

Mr. DONNELLY. And No. 5 in priority are children with dietary inadequacies?

Mr. BRALEY. Let me explain, just in general—

Mr. DONNELLY. Who developed those priorities?

Mr. BRALEY. Those priorities were developed and established in regulations and based on public comment from WIC administrators as well as from the scientific community.

In general, people with diagnosed nutritional and medical problems are served first, and then those that don't show any clinical signs of a problem are in the lower priority categories. That's based primarily on a dietary recall sort of thing, just looking at their dietary pattern as they report it. The top priorities are the ones with the real medical and nutritional problem.

Mr. DONNELLY. Now, are priorities, say, 3 or 4 through 6, are those individuals being served in most States now, under the present budget?

Mr. LEARD. It varies, quite frankly.

Mr. DONNELLY. Would you be able to submit some evidence to that for the record?

Mr. BRALEY. We can, yes sir, in general terms. Some areas are allowing all six priority categories to participate at this point; others are limiting it to the top three or four priority categories.

Mr. LEARD. We will submit what information we have, Mr. Chairman.

[The information referred to above follows:]

DISTRIBUTION OF WIC PARTICIPANTS BY PRIORITY GROUP

There are seven nutritional risk priority categories established by regulation to be used for selecting applicants when a local agency is at maximum caseload. Basically, the priority system targets benefits to pregnant or breast-feeding women and infants before children and those with overt nutritional problems before applicants with an inadequate diet. States have the flexibility to set further priorities within the required system. The health professional at the local agency determines the individual's nutritional risk.

The States report monthly on participation by category of participant—women, infants and children. The most recent participation information (December 1982) is as follows: women—505,076, infants—689,468 and children—1,217,996. The percentages are women—21 percent, infants—29 percent and children—50 percent. It is not possible from these data to determine the nutritional risk priorities served. Within a State, local agencies may serve different priorities. Given this variability, we do not require States to report priorities served on a monthly basis.

Periodically for funding allocation purposes, the States submit a list of categories served. Attached is a list of the most recent information on priorities served by States.

SUPPLEMENTAL FOOD PROGRAM DIVISION

NO. 1 - DATA CURRENT RECD
 CREDITED

NORTHWEST						
1 Connecticut	I-VI					
1 Maine	I-V					
1 Massachusetts	I-VI					
1 New Hampshire	I-VI					
1 New York	I-VI (with 96% in Priorities I-III)					
1 Rhode Island	I-VI (with plans to phase out V and VI by end of fiscal year)					
1 Vermont	I-VI					
1 Indian Township, ME	I-VI					
1 Penobscot, ME	I-VI					
1 Pleasant Point, ME	I-VI					
1 Seneca Nat., NY	I-VI					
total						
MID-ATLANTIC						
1 Delaware	I-III					
1 Maryland	I-IV					
1 New Jersey	I-III					
1 Pennsylvania	I-III					
1 Puerto Rico	I-VI					
1 Virginia	I-VI					
1 Virgin Islands	I-VI					
1 West Virginia	SNV - I-II; 40% I-IV; 10% I-VI					
1 District of Columbia	I-V					
total						
SOUTHEAST						
1 Alabama	I-III					
1 Florida	I-V (with very few high risk Priority VI participants)					
1 Georgia	I-III (with some Priority IV participants)					
1 Kentucky	I-VI					
1 Mississippi	I-VI					
1 North Carolina	I-V					
1 South Carolina	I-IV					
1 Tennessee	I-V (with very few Priority VI participants)					
1 Seminole, FL	I-VI					
1 Miccosukee, FL	I-VI					
1 Choctawhatchee, MS	I-VI					
1 E. Cherokee, NC	I-VI					
total						

SUPPLEMENTAL FOOD PROGRAMS DIVISION

CURRENTLY BEING

1981-1982

MOUNTAIN PLAINS (cont.)						
Utah	1-III (with 2 low participants in February IV)					
Shoshone Tribe, WY	1-IV					
Nez Perce Tribe, OR	1-IV					
Winnebago, Neb.	1-V					
Cheyenne Riv., SD	1-IV					
Rosebud, SD	1-V					
Standing Rock, ND	1-V					
Pt. Barstow, ND	1-VI					
Wyoming	1-III					
TOTAL						
STEW						
Alaska	1-III					
Arizona	1-III (with 201 in 1-III)					
California	1-III					
Hawaii	1-IV					
Idaho	1-V					
Utah	1-V					
Washington	1-III					
Washington	1-IV (effective April 1, 1981)					
Wyoming	1-V					
Maricopa, AZ	1-III					
Navajo Nation, AZ	1-VI					
TOTAL						
NATIONAL TOTAL						

PRIORITY LEVELS SEPARATED AFTER CERTAIN REALLOCATION

NEBO		NEBO	
CONNECTICUT	1-5	ILLINOIS	1-6
MAINE	NOT AVAILABLE	INDIANA	1-6
MASSACHUSETTS	1-6	MICHIGAN	1-6
NEW HAMPSHIRE	1-6	MINNESOTA	1-6
NEW YORK	1-6	OHIO	1-6
RHODE ISLAND	1-6	WISCONSIN	1-6
VERMONT	NOT AVAILABLE		
INDIANA TOWNSHIP	1-6	COLORADO	1-6
PELHAMCOT	1-6	IDAHO	1-6
PLEASANT POINT	1-6	KANSAS	1-6
SENECA NATION	1-6	MISSOURI	1-6
	NEBO	MONTANA	1-6
DELAWARE	1-6	NEBRASKA	1-6
IDAHO	1-6	NORTH DAKOTA	1-6
NEW JERSEY	1-6	SOUTH DAKOTA	1-6
PENNSYLVANIA	1-6	UTAH	1-6
PUERTO RICO	NOT AVAILABLE	WYOMING	1-6
VIRGINIA	1-6	SHOSHONE	1-6
VIRGIN ISLANDS	1-6	UTE MOUNTAIN	1-6
WEST VIRGINIA	1-6	WINTERHOG	1-6
DISTR. COLUMBIA	1-6	CHICKADEE RIVER	1-6
	NEBO	ROSEBUD	1-6
ALABAMA	1-6	ST. JUDITH ROCK	1-6
FLORIDA	1-6	FT. BERTHOLD	1-6
GEORGIA	1-6		NEBO
KENTUCKY	1-6	ALASKA	1-6
MISSISSIPPI	1-6	ARIZONA	1-6
NORTH CAROLINA	1-6	CALIFORNIA	1-6
SOUTH CAROLINA	1-6	HAWAII	1-6
TEXAS	1-6	IDAHO	1-6
VERMONT	1-6	NEVADA	1-6
MISSOURI	1-6	OREGON	1-6
CHICKADEE, IN	1-6	WASHINGTON	1-6
E. CHICKADEE, IN	1-6	ITCH	1-6
	NEBO	NEVADA	1-6
ARIZONA	1-6	NEVADA NATION	1-6
LOUISIANA	1-6		
NEW MEXICO	1-6	WCO ENTERPRISE	1-6
CALIFORNIA	1-6	CHICKADEE, OK	1-6
TEXAS	1-6	CHICKADEE, OK	1-6
WYOMING, IN	1-6	CHICKADEE, OK	1-6
W. NO. PUEBLOS	1-6	TORAMBA, OK	1-6
ISLETA PUEBLO	1-6	POTAMATAMI, OK	1-6
WATO CORINGO	1-6		
FIVE SHADONAL	1-6		

Mr. DONNELLY. You still have not answered, to my satisfaction, the question of what will happen to these 100,000 persons cut from the WIC program. I would like some documentation for the record. Just assuming your responsibility is to take care of present caseload, where are those people going to go for their nutritional needs?

Mr. LEARD. I will provide that for the record.
[The following information was supplied for the record:]

DOCUMENTATION ON AVAILABILITY OF NUTRITION ASSISTANCE FOR THESE UNSERVED
WIC ELIGIBLES

The food stamp program would be available to those WIC eligibles that meet the food stamp eligibility requirements. The maximum income eligibility for the WIC program is 185 percent of the poverty guidelines. Since food stamp gross income limits are set at 130 percent of poverty the higher income potential eligibles for WIC would not be eligible for food stamps.

The child care food program would be a source of nutrition assistance for those children attending a center or a family day care home participating in this program.

The WIC program uses a priority system to insure that the neediest people are served first. Those 100,000 or so people who would no longer be served in fiscal year 1984 would have less severe nutritional problems, such as older children and postpartum women. There are other programs available to help serve people who cannot participate in the WIC program. These include the food stamp program, the commodity supplemental food program, and the child care food program. Further, there is the distribution of surplus cheese. There are other relevant programs to assist low income women and children, not operated by the Department of Agriculture. These include aid to families with dependent children, medicaid, title XX social services and maternal and child health services.

Mr. BRALEY. Mr. Chairman, I should point out that the time on the WIC program for people is relatively short. That caseload turns over fairly quickly. Pregnant women are on for an average of 4 to 4½ months. So, there's a fairly rapid turnover in the individuals that are on that program. I think that is important to note.

Mr. DONNELLY. My staff has provided me with information that 9 million women, infants, and children meet the WIC eligibility criteria. Do you agree with that figure?

Mr. LEARD. These aren't necessarily all needy.

Mr. DONNELLY. But they fill the criteria. Would you agree with that?

Mr. BRALEY. I've seen a lot of figures on potential eligibles, and depending on what data source you use and what assumptions you make, I think that would probably be just applying the income eligibility.

WIC, unlike most of our other programs, has a nutritional requirement. You have to either have a medical or nutrition problem diagnosed in order to be on the program. It's difficult to merge the income figures with that.

[The following information was supplied for the record:]

WIC ELIGIBLE POPULATION ESTIMATES

Eligibility for the WIC program is based on the following: (1) categorical status as a pregnant, breastfeeding, or postpartum woman, an infant, or a child up to 5 years of age; (2) family income below State income guidelines, 185 percent of poverty, but not less than 100 percent; and (3) nutritional risk. The maximum income limit is 185 percent of poverty. Since many States use lower income standards, it may be appropriate to use 175 percent of poverty as the proper income cutoff to reflect the lower income standards in some areas.

Using data from 1979, 1980, and 1981 Current Population Surveys of the Bureau of Census and from the National Center on Health Statistics, rough estimates of the number of people potentially eligible for the WIC program can be calculated for the nation for these years. Unfortunately, 1982 poverty statistics are not yet available. However, given the increased levels of unemployment and of live births, it is reasonable to speculate that the number of people eligible for the WIC program increased by at least 10 to 15 percent per year after 1981.

We estimate that nationally 10.5 million persons are potentially income eligible. Due to the lack of available information, the nutritional risk criteria still cannot be included in the estimation process. Including the nutritional risk criteria would decrease the estimate of the number of people eligible. The cost of supporting 10.5 million participants in fiscal year 1983 at \$39.38 per person per month would be approximately \$4.96 billion. The cost to support the same level of participants would increase to \$5.18 billion in fiscal year 1984 at \$41.11 per person per month.

The estimates presented here reflect the number of people potentially eligible at any given point in time. These correspond to the participation statistics reported for the WIC program, which count participants in any given month. In both potentially eligible people and participants, there is turnover during a year. A person may be eligible or may participate in March, but not be eligible or not participate in November and vice versa. Thus, over a year, more actual people will be eligible and will participate in the WIC program than are reflected in the potential eligible estimates or in the participation reports. The Department is starting a study to estimate more precisely those potentially eligible for program benefits. We expect the results to be available next year.

FISCAL YEAR 1972

PERCENTAGE OF V I C ELIGIBLES FOR YEAR AVO FY 62

STATE NAME	1975 NO. ELIGIBLES	-AVERAGE- NO. PARTICIPATION	% OF NEED MET	NO. RTMS
SAN FELIPE, NM	369.	229.	61.76	7
HAWAII	3194.	3369.	10.31	12
PUERTO RICO	362558.	46174.	12.59	12
WASHINGTON	285323.	26136.	13.76	12
UTAH	82826.	12497.	15.09	12
ALASKA	18919.	1725.	15.79	12
POTAWATOMI	4599.	774.	16.83	12
ARKANSAS	121982.	21059.	17.26	12
MAINE	1345.	236.	17.57	12
TEXAS	762189.	124226.	17.72	12
INDIANA	285059.	37817.	18.69	12
MASSACHUSETTS	191684.	34659.	18.09	12
NEW MEXICO	64984.	12817.	18.49	12
UTE MTH TRIBE, CO	6497.	92.	18.49	12
ILLINOIS	386348.	74234.	19.21	12
NEW JERSEY	237888.	46784.	19.73	12
FLORIDA	337834.	67438.	20.00	12
ARIZONA	187644.	22189.	20.61	12
OHIO	435492.	91818.	21.18	12
CALIFORNIA	765872.	163294.	21.34	12
NEBRASKA	54166.	11088.	21.43	12
KANSAS	76596.	16536.	21.59	12
IDAHO	44528.	9638.	21.63	12
MICHIGAN	325888.	71544.	21.96	12
TENNESSEE	195874.	46264.	23.21	12
COLORADO	94156.	21864.	23.23	12
PENNSYLVANIA	826424.	19216.	23.24	12
SOUTH DAKOTA	27193.	6034.	25.13	12
ISLETA PUEBLO, NM	1246.	319.	25.62	12
DELAWARE	18564.	4744.	25.90	12
WEST VIRGINIA	61372.	21623.	26.84	12
GEORGIA	250157.	65287.	26.10	12
ALABAMA	186432.	49888.	26.74	12
OKLAHOMA	113771.	30587.	26.81	12
OREGON	63256.	22678.	27.46	12
MINNESOTA	131152.	36794.	27.68	12
WASH., D.C.	24346.	6697.	28.33	12
MAINE	46419.	13387.	28.67	12
KENTUCKY	158496.	45617.	28.78	12
MISSOURI	161564.	46068.	28.84	12
IOWA	90788.	26122.	28.96	12
LOUISIANA	198788.	62026.	31.21	12
CHOCTAWS, OK	4371.	1464.	32.12	12
ZUNI, NM	1168.	326.	28.56	12
WISCONSIN	137788.	65736.	33.12	12
TOMAWA, OK	1289.	434.	33.60	12
NEW YORK	841466.	183682.	33.93	12
NORTH CAROLINA	235468.	86485.	36.18	12
PERRIN, INDIAN RES.	163.	60.	36.37	12
VIRGINIA	152476.	52466.	34.36	12
MARYLAND	223666.	62662.	36.78	12
ACONA, NM	1157.	403.	34.81	12
HOPI, NM	21099.	69999.	33.20	12
MICCOSUKA, FLA.	181.	58.	38.77	12
WIRGIN ISLANDS	12888.	4663.	35.86	12
NEW HAMPSHIRE	28494.	10367.	36.90	12

SOUTH CAROLINA	149344.	94888.	29.14	12
UTAH	13248.	9213.	39.35	12
VERMONT	28208.	11812.	41.89	12
VIRGINIA	22332.	9505.	42.54	12
WISCONSIN	837.	303.	43.39	12
WYOMING	143.	152.	44.44	12
ALABAMA	23242.	10382.	44.57	12
CONNECTICUT	83472.	28541.	46.20	12
FLA.	871.	404.	46.38	12
GA.	909.	422.	46.45	12
ILL.	7502.	3488.	46.67	12
IND.	3242.	1538.	47.19	12
IOWA	889.	483.	48.09	12
KANSAS	143615.	60104.	48.12	12
LA.	931.	474.	50.00	12
MA.	1508.	798.	52.09	12
MD.	508.	329.	56.93	12
ME.	1097.	652.	59.43	12
MI.	22428.	10599.	64.30	12
MINN.	1277.	888.	69.57	12
MISS.	99.	88.	71.66	12
MO.	748.	548.	72.35	12
NEB.	1794.	1391.	77.35	12
N.J.	811.	609.	81.70	12
N.Y.	1128.	588.	84.88	12
PA.	107.	87.	86.29	12
RI.	13888.	11738.	86.69	12
SD.	77.	73.	94.48	12
U.S. AVERAGES	8867135.	*****	295.35	11.8

Mr. DONNELLY. We will be sending detailed questions. One of the great problems in preparing a budget resolution is the assumptions and the statistics that are used. If we could all agree on certain assumptions and statistics that would make the crafting of the resolution a much simpler job, and I think it would provide the impetus that is necessary to make sure that the people that are eligible and in need, do receive, under the best possible case administration, help from the dollars that this Congress is going to expend for those programs.

As I said earlier, the whole food stamp program is probably one of the most controversial programs that the Federal Government runs, in terms of the impression of the electorate regarding the beneficiaries of the food stamp program, and the administration of the food stamp program. The rhetoric that has surrounded the food stamp program, in many ways, has done a disservice to those individuals who are eligible for food stamps, and who are the types of individuals whose nutrition needs we are committed to meet.

One question about the COLA postponement. What does that really do, the COLA postponement? It's just short-term savings. It doesn't deal with long-term nutritional problems. It doesn't deal with eligibility, or verification, or error rate problems. What was your cost estimate on the savings?

Mr. LEARD. In one program, it's \$66 million; in food stamps, it's \$32 million. Basically, in our programs, it's a very small amount. For the food stamp program, the thrifty food plan is our basis for pegging our rates, and right now it is set at \$253 for a family of four. There has been somewhat of a stagnation or almost deflation in food cost prices, so the people are actually getting a little more than the actual cost should be.

Mr. DONNELLY. That might be what your agency's statistics show but you'd have a tough time convincing my wife that there's a stagnation in food prices.

Mr. LEARD. My wife would probably say the same thing. It's the price of the food package, of course. This is not expected to take in all the glamorous foods and things, but at the next update in the

thrifty food plan, it is only projected to go up \$1. It's a very minimal cost as far as the COLA is concerned, in terms of our program.

Mr. DONNELLY. Well, I just don't see—the COLA postponement has miniscule, if any, impact on the budgetary and fiscal problems of this Nation, and this one program, I don't see the justification for it.

Mr. LEARD. It does have some bigger effect in the outyears.

Mr. DONNELLY. If you would provide what numbers you have in the outyears, we'd appreciate that.

Mr. LEARD. We will be pleased to provide the information for the record.

[The following information was supplied:]

FOOD STAMP PROGRAM PROJECTED SAVINGS—COLA POSTPONEMENT

Fiscal year	Value of ITP (actual)	Projected savings (millions)
1984	\$254	\$32
1985	266	364
1986	281	437
1987	294	366
1988	307	353

Mr. DONNELLY. We are honored this morning to have with us a member of the Agricultural Committee, Mr. Panetta.

Mr. PANETTA. Thank you very much, Mr. Chairman. We cover this issue, obviously, in the Agriculture Committee and I look forward to considering it indepth, although in term of the budget resolution, we're also going to be making some recommendations.

Let me first ask you, beyond this, whether you've taken a position with regards to commodity distribution legislation that is appearing both on the Senate side and on the House side?

Mr. LEARD. We are looking at a number of bills right now. I would say this, that we generally are supportive of doing more with the commodities. The one thing that I think we would not be supportive of is the interstate cost. We do feel that the States can, and are, showing that they can support and take care of the interstate costs, and with the Federal Government paying 97 percent of the cost of the commodity and transport, and taking many other unique steps to assist the States, we feel that the States have to put some commitment to this. Three percent is not an unreasonable thing to ask of them in the interstate costs.

We have seen, for instance, in the special dairy distribution, that 45 of the States have found a way, through funding or through volunteerism, to take care of this. There are a variety of ways the States are meeting these interstate costs, so we do not support that provision.

We are looking at other things that can be done in terms of other commodities that we have in surplus. I think there is a lot of misunderstanding in the public as to what is in surplus. A lot of our commodities that are in warehouses, don't necessarily belong to the Federal Government to be given away out there in repay-

ment to farmers or something else. But we are looking at ways to get other commodities out, similar to the cheese and the butter.

Mr. PANETTA. At least in terms of the specific pieces of legislation, either the Dole bill or the bills introduced on this side, you have not taken a firm position?

Mr. LEARD. The Under Secretary did testify on the Dole bill before the Senate Agriculture Committee, and discussed it with them.

Mr. PANETTA. Supported it, or not?

Mr. LEARD. Generally, I think he is supportive of the provisions.

Mr. PANETTA. Let me ask, turning to the food stamp program, on the error rate sanctions. The last time around, we instituted an error rate sanction that would do it on a progressive basis, and try to move the States down gradually. Why not let that work? Why not let that operate before you immediately move to the kind of error rate sanctions that you're talking about?

Mr. LEARD. Basically, sir, as part of our fiscal year 1984 budget, we propose to take further steps to simplify and standardize the program. We feel that these steps, if taken as a package, will provide the wherewithal to reduce the error rates even more. The States have got to start showing some incentive in lowering the error rates. The more money we can save, the more we can pump back into our needy individual.

Mr. PANETTA. My only concern, obviously, is that with six food stamp bills in 6 years, there's an awful lot of administrative regulations that we've pumped out here in a short period of time. Every time we change the law, we create that much more of a problem. Even under the guise of simplifying the laws in this area, we create problems and, as State administrators try to deal with the situation, we begin to feed into the problem that much more.

I guess the question I would raise is, what's your average error rate right now in terms of most of the States?

Mr. LEARD. Let me have Mr. Conrad, our Deputy Administrator for food stamps, answer that, sir.

Mr. CONRAD. For the period ending in September 1981, the national average was 11.84 percent. That's overissuance and underissuance. If you take underissuance out, it's down under 10 percent, about 9.7 or 9.8 percent in that range.

Mr. PANETTA. Your proposal, then, is to take it down to what, 3 percent?

Mr. LEARD. Yes, sir, 3 percent.

Mr. PANETTA. By when?

Mr. LEARD. By 1984. Right now, in law, we would set the target at 7 percent in 1984, as part of the 9-7-5 percent tolerance levels of error. We would take that tolerance level down to 3 percent, a firm 3 percent not target rates to enable them to move sequentially to that amount.

Mr. PANETTA. You don't really believe you're going to get States down to a 3-percent error rate in that period of time? You're going to wind up penalizing the States, and you're going to wind up cutting benefits. That's going to be the end result.

Mr. LEARD. We're not saying, sir, necessarily, that we expect them to get down to 3 percent. We are saying we would subsidize 3 percent of the errors, and then above 3 percent, if they chose not to

be serious about it, then that would be their part of the error to subsidize.

Mr. PANETTA. I know, but you've been an administrator in the food stamp program; you understand the problems involved, and it's not so much—I don't even know that it's not—there's a lot of talk about fraud, waste, and abuse. Very frankly, a lot of it is just paperwork and the people who administer the program as to whether they are doing it right. I'm not sure that what you will end up doing is penalizing the people who need to receive the benefits instead of going after the very people who are probably the main problem.

They are burdened because every time we send out new regulations, they've got to implement them, and every time you implement new regulations—I mean, you're proposing in addition to this changing the approach with regard to the shelter allowance, which is going to create some additional problems in terms of deciding—assuming that that's adopted—who's getting it, who's not getting it, what the situation is in terms of that, and that creates even additional problems in terms of administering the program.

So, you can't, at the same time, pull back on the error rates and then, at the same time, unload a series of new regulations on them at the same time and expect that you're going to be able to improve the program overall. What you need to do is stabilize the program.

Mr. LEARD. May I point one thing out, sir. One of the provisions in our 1984 budget is to declare AFDC households categorically eligible and simplify the benefits. Now, 25 percent of the caseload falls into that category.

Then that means the caseworker, when they find such a case, does not have to go through the litany of determining whether they are eligible and how much they should receive. That kind of workload reduction can only result in having more time to focus on those error-prone profile cases that we know are coming through. We think this will have a tremendous benefit in error reduction and better case management.

Mr. PANETTA. On the workfare aspect, why not let local communities have the option on workfare, which is the case now? After all, we're talking on the one hand about New Federalism and allowing local communities to make the decision, why not allow them to make the decision whether they want to implement workfare or not?

Mr. LEARD. We would allow them, of course, to reap the benefits of the work service here. We just feel that it was a needed—

Mr. PANETTA. But you're making it mandatory.

Mr. LEARD. Yes, sir, we are.

Mr. PANETTA. Again, my question is, If indeed we feel that local governments, State governments, ought to have the option in many areas, and indeed we're talking about block granting in a number of other areas, at least the administration is proposing that, why not allow local communities to have the option in this area as well, to determine whether indeed they can implement this kind of program or not? If it's worthwhile and the administration thinks it's worthwhile, then I'm sure the communities will want to take that

step. If they don't feel they want to do it, then isn't that an option that they ought to decide on?

Mr. CONRAD. Maybe I could respond to this question by providing some background. As you may know, some communities have done very well in conducting food stamp workfare projects, both as test sites and under the optional provisions. When we first began testing this concept, we had six sites volunteer to have workfare projects even though they received no financial assistance from the Federal Government. Obviously, some communities were willing to try this approach even without the incentive of financial assistance. We now, however, fund the optional programs and would under the proposal fund projects at the normal 50 percent reimbursement rate for administrative costs incurred.

I would also want to point out to you that the way we will present our legislative package on this will allow some option and flexibility. The legislative approach would only require States to provide jobs up to 75 percent of the eligible pool because you will have some communities in some locales where it wouldn't make good sense to have a work program because of the dispersment of the people, and so on and so forth.

So, we are trying to recognize some balance in the change as opposed to going full steam ahead in the conversion process. Our savings calculations include the administrative cost in setting this program up and running it. As you know, some communities have done this very well by integrating the AFDC, and it's proved to be very beneficial.

Mr. PANETTA. My concern is that you're working at cross-purposes. At one point, you're telling States that they've got to reduce their error rate and, at the same time, you're coming in with a program that's going to involve incredible administrative overhead if you're really going to track people in terms of the jobs they are performing in order to accommodate to whatever food stamps they are receiving. That is an incredible load, and the pilot programs that now implement workfare programs are indicating that that is the case.

There are communities that started workfare and dropped it because there is no way for them to keep the administration of that program up. So, at the same time, you're talking about trying to reduce error rates in administration, you're coming in on the other hand with a program that's going to involve incredible administration. Just recognize that that's a real problem.

The last point, let me ask you about the shelter allowance. You've couched a lot of this in terms of improvements in overhead and error rates. The shelter deduction, particularly for the Northeast, is going to involve a lot of individuals who are now receiving food stamps, in reductions. Do you have any idea how many people are going to be impacted by the proposed reduction in the shelter allowance?

Mr. LEARD. In the Northeast?

Mr. PANETTA. Yes.

Mr. LEARD. We do have that number, yes, sir.

Mr. CONRAD. While they are looking that number up, I'd like to indicate that the light brown on the chart represents the actual amount of errors which will be eliminated by three features of our

proposal: Simplified deductions, simplified household definition, and categorical eligibility. There is a need for even more error reduction than shown by the light brown. And working out the details of how to accomplish this—whether the standard/shelter deduction should be \$140 or some other number—needs to be looked at in the wisdom of Congress. But there is a need to be guided by this spirit—of error reduction through program simplification—because States are not even going to be able to get down to the 7 percent error level they are required to meet next year—unless we made some simplifications in the program. After that, States will have to get down to 5 percent errors, so the need for program simplification will be even greater.

So, whether \$140 treats collectively the people in the Northeast versus the Southeast is a question we have to continue to look at with the appropriate committees in Congress. If we don't get some relief in this program, I want you to remember that this light brown is what the States are going to have to pay back under the present rules. We need to do something to help them simplify it, and I know it's a catch 22 because we try to simplify, and we put out more regulations and that causes a little bump in the program.

I've discussed these with the National Eligibility Workers Association that represents the workers on the front lines, and I think they are recognizing that unless additional steps are taken, there's no way we're going to be able to manage the program under the current sanction system, let alone the new.

Mr. LEARD. Sir, I have the answer to your question. In the Northeast, 55 percent of the households are either gain or have no change, and of the 45 percent that would have a loss, the average loss would be \$6.90 a month. However, that does include another computation on earnings deduction, too, so that number would have to be broken out.

Mr. PANETTA. I guess that is what—I don't think we ought to kid anybody that people are going to lose benefits under that particular approach. That's clearly a benefit loss, right?

Mr. LEARD. Yes, sir. I am told also in the Northeast that they have a higher standard utility allowance, too. That somewhat affects these numbers.

Mr. PANETTA. That's a serious problem. The hearings we had in Cleveland established that the cost of housing in these areas in shelter is much higher than what you find in the Sun Belt and other areas, and the consequence is that—\$6.90 may not seem like a lot to you or I, but it's a tremendous amount to people who are trying to buy a meal day to day, and we're just seeing more and more of people that second and third week, winding up at food shelters, winding up in food service lines, winding up in the Salvation Army kitchens, trying to get some kind of assistance to fill the gap.

I am concerned about that because, obviously, we are impacting people at the lowest end of the ladder. I know it's done in the name of simplification, but the reality is we are also cutting benefits to people that are just receiving a minimal amount to begin with.

Mr. DONNELLY. Thank you very much. We will keep the record open for 5 days for additional information.

Our next witness is Hon. Ted Weiss, chairman of the Subcommittee on Intergovernmental Relations and Human Resources of the Government Operations Committee.

Mr. Weiss, we apologize for keeping you waiting. We thank you very much for coming here this morning.

STATEMENT OF HON. TED WEISS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK, AND CHAIRMAN, SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS AND HUMAN RESOURCES, ACCOMPANIED BY DEL GOLDBERG

Mr. WEISS. Accompanying me this morning is Dr. Del Goldberg, who has been on staff of the Subcommittee on Intergovernmental Relations and Human Resources for many years, and has been there since the inception of the revenue sharing program. If any of your questions require technical and historical background, he will be in a position to respond to those.

Mr. Chairman, I appreciate this opportunity to testify in support of continued entitlement authority for the general revenue sharing program.

As you know when the Budget and Impoundment Control Act was enacted in 1974, special provision was made for the continuation of general revenue sharing as an entitlement. Entitlement status was conferred on this program in the State and Local Fiscal Assistance Act of 1972, in recognition of Congress' intent to provide stable and predictable funding which the recipient governments could include in their budget estimates for future years.

This, I submit, is the basic reason for entitlement funding of this program. With advance knowledge of the amount of their allocations, the recipient governments can plan for the most effective utilization of these funds. In fact, incorporating these funds in the normal budget process of State and local governments provides the best assurance to Congress that revenue sharing dollars will be wisely spent.

For this reason, I believe that it is imperative that we restore the participation of State governments in this program to the entitlement arrangement that prevailed from 1972 to 1980. In extending revenue sharing for 3 years in 1980, Congress changed the State share from an entitlement to an authorization. If we decide to include State governments in future allocation—as I hope will be the case—I see no rational reason for treating the States differently from local governments with respect to entitlements.

I am sure you are aware of the radically changed circumstances of State governments since the last authorization. I served on the subcommittee at that time, too, incidentally.

In place of the budget surpluses which many States enjoyed several years ago, most States today are trying desperately to reduce expenditures, cut their work forces, and increase taxes in order to avoid budget deficits, which are constitutionally prohibited in almost all States. With respect to taxes, 8 States raised their individual income taxes and 13 States raised their sales taxes from the past 3 years. Both of these major taxes were increased in five States. In addition, 27 States raised gasoline or motor vehicle taxes, 16 raised alcoholic beverage taxes, and 11 raised the cigarette tax.

Tax increases of this kind are unprecedented in recent history. Moreover, they further reduce consumer spending and thereby help prolong and intensify the national recession.

It should be noted also in this context that up to this particular recession, the statistics indicate that the States really worked in a countercyclical fashion, that as the recession worsened, the States undertook actions which tended to counter that, instead of increasing taxes, they decreased them. They put people on the payroll to balance out the people who were being laid off in the private sector, and so on.

For the first time at least since the end of the Second World War that is not happening now. In fact, directly the opposite is happening, the States are working in the same fashion as the cycle of recession, so they are exacerbating the problems which existed, rather than going into an effort of trying to cure them, and that is why the increase in taxes, and the layoff of additional workers at the State and local level is so significant.

It should be noted that many of our States are in very poor financial condition as the result of three recessions in the past decade. Moreover, even our most prosperous States are now feeling the pinch of increasing unemployment and declining revenues. Clearly, the States need and deserve a helping hand from Washington.

In connection with sound national fiscal policy, I believe it would be highly desirable to provide a reasonable amount of budget authority in 1984 for countercyclical assistance to State and local governments that have been adversely affected by the deep recession our Nation has been experiencing. We are presently developing a bill in the subcommittee for this purpose, which I hope to introduce shortly. It will probably run about \$1.5 billion—that is not within your area of concern, I gather, because it will be an authorization, rather than an entitlement.

There is still another good reason for State, as well as local government entitlement authority for revenue sharing. In 1976, Congress amended the act to require each State and local government to hold budget hearings on both the proposed use and the intended use of revenue sharing funds in relation to the total budget. And this was done to encourage citizens to participate in the budget process of their State and local governments.

However, unless the Government knows in advance the amount it will receive, it cannot hold meaningful public hearings on the proposed and intended uses of revenue sharing dollars, as the law requires.

Together with other members of the Government Operations Committee, I have introduced H.R. 1930 to extend revenue sharing as an entitlement for an additional 5 years. Our bill would restore the State share on an entitlement basis, and it would increase annual allocations by 16 percent, to a total of \$7.95 billion, for both State and local share, to adjust for revenue sharing's loss of purchasing power due to inflation only since its last reauthorization in 1980.

In fact, to adjust the program to take account of inflation since 1972, when revenue sharing was first enacted, would require a 134-percent increase amounting to over \$8 billion. Consequently, if the

original funding level had kept pace with inflation, it would now have reached \$14.8 billion for both State and local governments, and almost \$9.9 billion for local governments alone.

By contrast, H.R. 1930 proposes a funding level of \$7.95 billion for State and local governments combined.

I urge the task force to support entitlement funding for both the State and local governments at the reasonable inflation adjusted levels proposed in H.R. 1930.

[The prepared statement of Mr. Weiss follows:]

PREPARED STATEMENT OF HON. TED WEISS

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program to the entitlement arrangement that prevailed from 1972 to 1980. In extending revenue sharing for three years in 1980, Congress changed the State share from an entitlement to an authorization. If we decide to include State governments in future allocations--as I hope will be the case--I see no rational reason for treating the States differently from local governments with respect to entitlements.

I am sure you are aware of the radically changed financial circumstances of State governments. In place of the budget surpluses many States enjoyed several years ago, most States today are trying desperately to reduce expenditures, cut their work forces, and increase taxes in order to avoid budget deficits, which are constitutionally prohibited in almost all States. With respect to taxes, 8 States raised their individual income taxes and 13 States raised their sales taxes during the past two years. Both of these major taxes were increased in 5 States. In addition, 27 States raised gasoline or motor vehicle taxes, 16 raised alcoholic beverage taxes, and 11 raised the cigarette tax. Tax increases of this kind are unprecedented in recent history. Moreover, they further reduce consumer spending and thereby help prolong and intensify the national recession.

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States are now feeling the pinch of increasing unemployment and declining revenues. Clearly, the States need and deserve a helping hand from Washington.

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billion, to adjust for revenue sharing's loss of purchasing power due to inflation only since its last reauthorization in 1980. In fact, to adjust the program to take account of inflation since 1972, when revenue sharing was first enacted, would require a 134 percent increase amounting to over \$8 billion. Consequently, if the original funding level had kept pace with inflation, it would now have reached \$14.8 billion for both State and local governments, and almost \$9.9 billion for local governments alone. By contrast, H.R. 1930 proposes a funding level of \$7.95 billion for State and local governments combined.

I urge your subcommittee to support entitlement funding for both the State and local governments at the reasonable inflation-adjusted levels proposed in H.R. 1930.

Mr. DONNELLY. Thank you, Mr. Weiss, and welcome, Doctor, it is a pleasure to have you here this morning.

The first question, Mr. Weiss, that I will ask is the one that many Members from the other side of the aisle have asked me at certain times, and have asked other members of the administration. How can you extend revenue sharing when there is no revenue to share? With the massive budget deficits that we face, we are not in a situation where we have additional revenues to share with the cities, States, and towns.

Mr. WEISS. Well, that presupposes that revenue sharing is dependent on the Federal Government running a surplus. And I don't think that is really the intention or the basic concept behind revenue sharing.

What it seeks to do, I think, is to recognize that the tax resources are really most available to the Federal Government because of the progressive income tax, that the States and localities have an impact on the overall national economy in any event. And because their tax bases, tax resources are more limited, they are really in the position where if you don't provide some Federal revenue sharing assistance for them, you simply force them to go out and raise more taxes and impact adversely on the entire national economy.

So, it seems to me what we are really doing is asking for there to be a participation to a modest extent in the taxes which the Federal Government raises from the local level. It is not surplus, it is not glits, it is not frills, it is absolutely essential for the need of the States and localities.

Mr. DONNELLY. Doctor, could you respond to that question and the criticism from some quarters today, maybe with the historical perspective of your experience with the revenue sharing programs, about the feasibility of having a revenue sharing program when we have such massive deficits, and there is very limited revenue to share?

Dr. GOLDBERG. Yes, historically, the revenue sharing concept came about when Walter Heller, as Chairman of the Council of Economic Advisers, made a personal recommendation that the Federal Government share some portion of Federal income tax collection with the States because of the perceived imbalance between the service needs of State and local citizens and the revenues—the more limited revenues to which Mr. Weiss referred—that were available to State and local governments.

The idea at that time was that Federal Government would share something on the order of 1.3 or 1.5 percent of individual income tax collections, which would provide a growing revenue source out of which the program would be funded.

Dr. Heller also had another concern which is not relevant today; he was concerned by what the economists call "fiscal drag," which was expected to result from the termination of the Vietnam war, when the Federal Government would no longer be engaged in spending for guns and butter simultaneously. Most economists, including Dr. Heller, believed that such a precipitous drop in Federal expenditures would lead to reductions in production, national income, employment, and to other adverse consequences.

In response to your question, I think it is probably reasonable to suggest that the priority of funding for revenue sharing, among all

competing programs in the Federal budget, ought to be viewed in this context. It is a competing demand and the Congress should rate where the needs of State and local government for a dependable and certain allocation of funds for general purpose expenditures stands in competition to defense and all other requirements.

I don't think that it is appropriate or reasonable to view revenue sharing as a marginal demand, as the last program on the totem pole that is to be dropped because there is a deficit.

In point of fact, as you well know, the Federal Government has had only one surplus in 22 or 23 years. Since this program came along at a time when the Federal Government was running a deficit, it isn't really a question of whether there are revenues to share. Rather, it is a question of whether or not this is a worthwhile and important program that merits funding in competition with other programs.

Mr. DONNELLY. Doctor, are you aware off the top of your head of what the deficit was in the fiscal year that revenue sharing was adopted?

Dr. GOLDBERG. It undoubtedly was very small, I cannot give you a dollar figure now. I could certainly supply it for the record.

Mr. DONNELLY. We will include it as a percentage of the total budget, a percentage of the gross national product, I think those comparisons would be valid today, as we deal with that criticism, and the question that has been and will be asked about the reauthorization of the revenue sharing program.

Dr. GOLDBERG. I would be pleased to supply that.

Mr. DONNELLY. Mr. Panetta.

Mr. PANETTA. Thank you, Mr. Chairman.

If I could ask—the figures are interesting, in terms of the States raising the taxes. Of the 50 States, how many have raised some form of taxes, be it income, sales, gas, or what have you? Do you have a total number?

Mr. WEISS. We have. The National Conference of State Legislatures submitted a memorandum to us, which we will submit for the record, which outlines State by State what happened, over 30 States, I think 35 or 36 States that have done that. I think both the local and the national impact is quite severe.

The other thing I think within that context which we ought to keep in mind, I don't have it in this statement, but I prepared it for another statement that I delivered. In the course of the last 2 years, the years of the Reagan administration, the grants to States and localities have been cut by 12.7 percent, amounting to reductions of \$13.4 billion. So that already more has been cut out of the grant programs than could possibly be matched by anything that we do in revenue sharing.

Mr. PANETTA. I just think it is very interesting what is happening, that as we have reduced efforts at this level, we have simply just transferred the burden—we have shifted, instead of getting the funds at this level before States do it. The consequences that people who don't really define the difference between Federal taxes and State taxes still are paying heavier taxes at the local level, and they are still carrying that burden under the guise of what is intended to be an overall tax cut. You know, it has just created that

many more problems. People really sense that they are still having to carry that burden.

Mr. WEISS. Well, you come from California, and I know that you have witnessed, as have we from a distance, what has happened in California over the course of the last 3 or 4 years when proposition 13 seemed to be so popular, because California seemed to have an endless reserve of State funds.

I gather that that situation has now been totally reversed to the extent that the new Governor coming in was talking about—I don't know how it finally turned out—of issuing I O U's to State employees because they no longer had the money to pay those employees. There was a tremendous turnaround in a very brief period of time.

Mr. PANETTA. In fact, a few I O U's did go out because they were facing about a \$1 billion plus deficit and instead of dealing with that problem—I think ultimately they will have to face the issue of raising additional revenues—he decided to simply just shift the deficit into the next year, following our example, which is an interesting approach for a Governor to take.

But in any event, it is a situation I think we had better understand, that we are not under the guise of providing relief, we are, instead, if you ask the average citizen, the burden is still there and that relief has not been provided.

Mr. WEISS. That is right. The other thing, of course, though is that I think that the impact on the localities when you force them to raise the taxes, it is much more immediate and probably much more painful—it is not spread out, there is nothing progressive about it. Not all of the States have the income taxes at the locality level and it ultimately ends up being a property tax increase which, again, I think has a devastating effect on the capacity of the communities to remain viable.

Mr. PANETTA. Well, we are facing a whole new phenomenon, I don't know if it is happening in other States, but in California, in educational school districts they are establishing foundations, in order to try to raise money to facilitate additional funds for their education. So, they are establishing nonprofit foundations for that purpose, a nonprofit foundation in Beverly Hills works very well, they are not going to have any problem having a foundation and supporting their school system. But a foundation in Watts, or a foundation in a low-income area is going to be much more difficult to be established.

So, we are creating, again, inequities that are going to, by the very nature of what is happening, we are building inequities in the process. Thank you.

Mr. DONNELLY. Mr. Weiss, the legislation from your subcommittee is going to propose \$7.95 billion for States and localities. How is that split?

Mr. WEISS. It is \$4.6 billion for localities currently, it was \$2.3 billion for the State until 1980 or through 1981. For all practical purposes, that was terminated. We are keeping those two base figures and then providing a 16-percent increase to cover the inflationary factor since the last reauthorization.

Mr. DONNELLY. And it would be a 5-year authorization?

Mr. WEISS. A 5-year entitlement, yes, sir.

Mr. DONNELLY. Are you aware of the administration's proposal to combine community development block grants and revenue sharing programs? Would you like to comment on that?

Mr. WEISS. Well, I have not yet heard—and there may be some people who are supporting it in the Congress—I have not heard any support for it. I know that there seems to be none in our committee for it, and I sense that in the Banking, Finance and Urban Affairs Committee, which is the other committee that would deal with the combination merging of community development block grant programs and revenue sharing, there seems to be no support for it.

I think that it would be a mistake and what they are talking about really, again, is typically putting the amounts together and then cutting them. And then ultimately phasing out the community development block grant portion of it over a 5-year time frame. Both the revenue sharing supporters and the community development block grant supporters—in many instances they are the same people—have opposed that concept.

Mr. DONNELLY. Doctor, in response to one of my questions you stated that in historical perspective revenue sharing was intended to provide the States and localities with between 1.3 and 1.5 percent of the Federal revenue base.

Dr. GOLDBERG. Individual income tax collections.

Mr. DONNELLY. Income tax, not total revenue base, but income tax?

Dr. GOLDBERG. Which is the largest segment, of course, of Federal revenues.

Mr. DONNELLY. I would appreciate it if we could work with the doctor on this whole question. I think the historic perspective is necessary for those Members of this institution who weren't here during those times. Much of the criticism that I have heard on the Budget Committee about revenue sharing comes from individuals who have come to Congress with little historical perspective about the programs. They need to have that question answered, that very simplistic question, in my opinion, about why have revenue sharing when there is no revenue to share. I think the doctor can provide this task force with a tremendous resource, if he would be available over the course of time to do that.

Mr. WEISS. We would be pleased to have him made available as you would like.

I should also——

Mr. DONNELLY. Does he always offer your services so easily, Doctor?

Dr. GOLDBERG. We haven't been working together that long.

Mr. WEISS. He has been a great help to me, so I am sure he will be to you.

The one other thing that I wanted to note is that the people in the other body, in the Senate, are also considering increasing the revenue sharing of programs, that is restoring the State portion and increasing both the local and State share. The one who has made the most specific proposal is Senator Durenberger, and his is a much more complicated proposal than ours. He is also suggesting something like a \$14 billion program and we are really quite modest by comparison in our proposal.

Mr. DONNELLY. I see that one of your compatriots from the great State of New York has joined the hearing, Ms. Ferraro.

Ms. FERRARO. And the great city of New York as well. I am sorry, Mr. Chairman, Mr. Weiss and I have been in touch on this particular issue, and I anticipate that I will be able to speak to it when the Budget Committee meets, as we discuss that particular function.

Mr. DONNELLY. We would be grateful to you for that.

Ms. FERRARO. I will certainly go over your testimony, and I appreciate you coming here.

Mr. WEISS. Thank you very much.

Mr. DONNELLY. Thank you very much. We apologize for the wait. Thank you, Doctor.

Our next witnesses will be a panel, Robert Greenstein, from the Center on Budget and Policy Priorities; Ed Weaver, American Public Welfare Association; and Nancy Amidei, Food Research and Action Center.

Without objection, we will insert your prepared remarks in the record.

STATEMENT OF ROBERT GREENSTEIN, DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. GREENSTEIN. Thank you, Mr. Chairman.

I am Bob Greenstein, director of the Center on Budget and Policy Priorities, which conducts analyses and research on a number of budget issues, but particularly means-tested entitlements, and other entitlements. Formerly I was the Administrator under the Carter administration of the Food and Nutrition Service, which operates food assistance programs.

I would like to start by responding to some of the testimony we heard from the Department of Agriculture this morning. The principal theme that the Department espoused, not a new theme, is that their proposals really wouldn't hurt people in need, that they would mainly save funds by reducing errors.

They had some rather startling figures as to the very high percentages—at one point they said 80 percent of their savings were from reduced errors and increased sanctions.

Mr. Chairman, this is flatly wrong, the Congressional Budget Office has said it is wrong. The Congressional Research Service has said it is wrong. We have analyzed it and found it is wrong.

I urge you very closely to look at the work of the Congressional Budget Office on this, I know they are still working on it. I expect that they will find that error reduction counts for no more than 5 or 10 percent of those savings. That is not the administration's proposal to do.

The proposal to change the earnings deduction cuts benefits for almost all working families, it simplifies nothing, it is more complex than the current system. The current system you just multiply 18 percent times earned income.

Under this proposal, you would actually have to determine and verify the number of hours of work, to know how to prorate the deduction they are proposing.

In the shelter area they have claimed since the budget came out that there were very little benefit reductions, such as what they told you about in New England, and so forth, and that it mainly was error reduction.

This is based on an analysis that is so shot through with flaws that I couldn't go through all of it this morning, but I will be happy to submit an analysis we have done of the rather extraordinary errors involved, suffice it to say, it is probably the worst piece of analysis I have seen in 10 years of following the food stamp program.

I urge you, instead, to rely on the work of the Congressional Budget Office. The Congressional Budget Office has reported to the Budget Committees that very little of the reduction due to the shelter proposal is due to error changes.

It is true that there are a number of food stamp areas that are in the shelter area, but the important thing to understand is they are small in dollars. You don't make big errors on rent. In fact, if you don't report a change in rent, usually your benefits are too low, rents go up, not down over time.

Most of these errors come from fluctuations in utilities, they are not large in terms of dollars. The Department ignored the difference between the number of cases in error and the number of dollars in errors, and the fact that shelter areas don't cause much loss. And the Congressional Budget Office picked that up.

When we look at the data from the Department's own services, we find that about 2 million households would each lose about \$250 a year due to the shelter deduction alone, one-quarter to one-half million elderly would lose even more. In New England, the numbers they read you this morning I believe were all incorrect, based on this incorrect analysis, CBO can do a regional analysis for you.

I suspect what it will find, from my looking at the data, is that you will find that about 40 percent, or close thereto of the households in New England will each lose about \$150 a month in benefits under that shelter proposal.

If the shelter proposal that the administration is proposing is adopted, you will find a relatively small change in errors, a relatively large—CBO says several hundred million—reduction in benefits. And if you did that and went back to Cleveland, you would hear far more grief, than you heard the last week, or the week before. If you went back to your district in Massachusetts, I think the pain would be even more excruciating.

This is a continuation of the kinds of things we have heard as part of the public relations for the last 2 years. The administration consistently says their food stamp cuts of the last 2 years haven't really hurt people in need; they have done two things, they have cut people with high incomes, they say, and they have reduced error and fraud.

The committee did adopt a provision for over the income limit, that amounted, according to CBO, for a grand total of 5 percent of the food stamp cuts over the last 2 years. There were some minor error and fraud provisions, that might be another 5 or 10 percent.

At our Center we have gone through all of the cuts over the last 2 years and what we have come up with is that somewhere in the vicinity of 75 percent of the reductions have been made by reduc-

ing benefits for households with gross incomes below the poverty level.

The new proposals would do more of the same. The proposal for delaying the cost-of-living adjustment with no real justification, since food stamps are adjusted by food costs, not by the CPI, haven't been overindexed, they are actually underindexed after last year's cuts in the food plan, which simply lowers the food purchasing power of all households, including the poorest.

One little side point there, when the Department likes to tell you that their new proposals don't cut much in benefits, they largely leave out the COLA because it only saves \$32 million in 1984; it cuts benefits \$300 to \$400 million in subsequent years. They don't include the \$300 to \$400 million when they tell you that there aren't major benefit reductions.

When you come back, as you did a few minutes ago, and say, "Well, then it doesn't get you anything," then all of a sudden they tell you that there are big reductions in the outyears.

For the working poor, from the deduction change in that area, a household with earnings equal to the poverty line would lose \$230 a year in stamps. A household working 40 hours at the minimum wage, below the poverty line, all such households would lose over \$100 a year in stamps.

In the workfare area, which I gather had some discussion earlier this morning, again, I would urge a close examination of the work of the Congressional Budget Office. The Congressional Budget Office in its February report to the Senate Appropriations Committee states that there is no evidence that the workfare is cost effective. CBO states, "There is no firm evidence yet available on whether savings exceed costs for workfare and for many types of jobs; programs initiated in the 1970's were often not cost effective."

CBO also reported in that study that the mandatory food stamp workfare proposal in the administration budget would increase State administrative costs by approximately \$100 million a year, thereby canceling out any savings in Federal costs when you look at the total impact on the taxpayer at all levels of government.

Finally, the error rate sanction proposal. Mr. Panetta talked about this with the Department a few minutes ago. The single most important thing to understand about that proposal is that not only CBO, but even the Department's own estimates show that they expect very little, if any, addition error reduction would be induced by that proposal. The reason for that is quite simple, the committees last year adopted a proposal, originally offered by Senator Dole, which was a pretty tough error rate reduction proposal.

Under that proposal, States are already under the gun to take action to reduce errors.

Mr. DONNELLY. That is the 97.5?

Mr. GREENSTEIN. That is correct.

The new proposal will not, according to CBO, or to the Department's own analysts, produce any significant great further effort in error reduction, it does save a lot of money but that savings is virtually all from cost shifting to the States.

Somehow the administration presents this cost shift as if it doesn't hurt anybody. It does. It is going to come out of more Medicaid cuts, it is going to come out of AFDC cuts and other service

cuts, because the States are going to have to get the money from somewhere.

In the AFDC area I would just like to make a few quick points about where we are at this point. After the administration's cuts on working welfare mothers in 1981, according to HHS's own figures provided to the Congress last year, AFDC mothers with three children, who earn \$5,000 a year, or less than 55 percent of the poverty level, lose all AFDC benefits after the fourth month at work in 36 States. In 13 States an AFDC mother with three children who earns \$3,000 a year now loses benefits after 4 months on the job.

HHS also reports that AFDC benefits in real terms have declined 30 percent between 1969 and 1981, even before the Reagan cuts took effect.

Two final points. No. 1, Congressional Budget Office last year did two studies on the combined impact of the budget—of the tax and budget cuts to date in the first 2 years by income class. What they show is striking, I think it puts all discussions of entitlements changes in some perspective. They show that for 1983, 1984, and 1985 combined, families with incomes below \$10,000 a year will lose \$17 billion; and the 1 percent wealthiest in the country with incomes over \$80,000 a year, will gain \$55.6 billion.

My last point regards a recommendation for an entitlement I strongly urge you to cut. I am not here today just to urge a lack of cuts, or restoration that I would urge in the nutrition programs, that Nancy Amidei will talk about, but to also look for areas that are opportunities for cuts.

I think there is one entitlement sitting out there that is a major entitlement, that has been barely touched today, and that is definitely a candidate for major reform. That is the military retirement system. In the military retirement system the median retirement age is now 41. There is no employee contribution whatsoever, it is 100 percent taxpayer funded. The median benefits are almost three times larger than private pensions. There is no actuarial reduction for early retirement. The program costs twice as much as AFDC and well above food stamps. In some of the most striking figures, 83 percent of all benefits in the military retirement system go to people in the wealthiest two-fifths of the population; 60 percent goes to the top one-fifth.

To me one of the most striking figures we find, the amount of military retirement benefits going to the top fifth of the population is twice as large as the total amount of food stamps going to the bottom fifth of the population, greater, also, than the total amount of AFDC and SSI, going to the bottom fifth of the population.

In the military retirement system our future debt as citizens in this country, the unfunded liability in the system, has grown a cool \$121 billion in the last 2 years alone.

Certainly, it seems to me that this program which also is counterproductive for the military in terms of keeping people who build up training in the system, rather than pushing them out early, that this system is a candidate for significant cuts. But that in programs like food stamps and AFDC, not only should we not be making further cuts, we should be repairing some of the rents we made in the safety net over the last 2 years. Thank you.

Mr. DONNELLY. Thank you very much, Mr. Greenstein.

This task force is looking very closely at the military retirement system. You were singing a lot of the song that I have been singing for the last few months, and which we will try to be articulating during the course of the next 2 weeks as we markup the budget resolution. How successful I will be, I don't know, but there is an excellent case to be made.

Mr. GREENSTEIN. We are preparing a report over the next few days on military retirement. We would be happy to provide it to you, and provide any assistance we could; we would be eager to.

Mr. DONNELLY. I would appreciate that as quickly as possible because we are on an amazingly fast track.

Nancy—if I may, Nancy? Without objection, we will insert your prepared remarks in the record.

STATEMENT OF NANCY AMIDEI, DIRECTOR, FOOD RESEARCH AND ACTION CENTER

Ms. AMIDEI. I understand that you heard from many witnesses over the last several weeks, to the effect that you should not cut means-tested social programs for poor people any further. So, I am not going to belabor that point.

Like, Mr. Greenstein, I would like to pick up on what you have heard from the administration's witnesses this morning, and make what I hope is going to be a simple case, that it is not just a matter of not cutting, but we are going to have to put additional funds in over current services for some of these programs.

I have to tell you though that I was sitting and listening, and reading through the prepared statements of the administration's witnesses, I had the eerie feeling that I had just stepped into "Cloud Cookoo Land."

These wonderful statements are marvelous. Let me assure you, the administration says, that in making substantial progress toward these goals, the social safety net remains intact. Our programs for change have been carefully targeted at families that have other means of support. Marvelous.

I have no idea who they are talking about. They are not talking about poor families. They are not talking about any of the people I have seen as I have moved around the country.

They apparently don't even talk to anybody who talks to poor families, or who live in poor neighborhoods, or spends anytime or even drives through poor neighborhoods. If there ever was a social safety net back in 1981, I think the only thing that is left of it is the 5-pound blocks of cheese.

Let me pick up on a few specific points. The people from HHS assure you that what they are trying to do is take care of this problem of dependency that they say is created by AFDC and the existence of the welfare system.

I think you have to turn that around a little bit. Dependency on welfare for many low income women with small children is created by the fact that people who earn low wages cannot get any health insurance at a price they can afford.

A woman comes and cleans your house for 1 day a week, in your house for another day a week, and my house for another day a

week—none of us chips in for health insurance for her. So, at the wages she would earn cleaning your houses and mine, she can't afford private health insurance.

Women in those conditions, if they are responsible for small children, will hang onto a little bit of marginal attachment of the welfare system, not because welfare has created a sense of dependency in their minds, but because it is the only way they can be assured if the children get sick, they can see a doctor.

If we could take care of providing health care coverage for their children, those employable and working women on welfare would quickly move off. They readily say that.

When the Department's officials come up and tell you that they are just amazed to see that they haven't seen a wholesale turnover of people on to full-time welfare dependency among those who lost their partial welfare benefits, isn't it remarkable? It must mean that those people have other sources of support, or they must have been frauds or abusers, or something.

I know what welfare mothers tell me when I ask them the same question—they say I bet the children haven't gotten sick yet.

As the children get sick, those women will give up their low-paying part-time jobs, and they will go back on welfare, because it is the only way to get health coverage. Welfare doesn't create dependency. The lack of accessible low cost health coverage does create dependence on welfare. The administration does nothing about that.

Moving on to the Department of Agriculture, which has assured us, also, that none of their programs is hurting anybody, and none of their proposals will hurt anybody, I want to pick up on just a couple of the things they mentioned.

They mentioned, for example, as the President has mentioned, as David Stockman has mentioned, as many people in the administration like to mention, that after all they are subsidizing 95 million meals a day. It sounds marvelous. There can't possibly be any hungry people, if we are subsidizing that many meals.

You have to call over to the OMB and to the Food Nutrition Service, and the Department of Agriculture to find out what they count in those 95 million meals.

Do you know that they count the roughly 10 cents per meal that goes to the people who get the minimum benefit on social security? That counts as one meal.

They take all of the 22 million people on food stamps, times 3, and that is automatically 66 million meals, that includes the elderly people, who get roughly 10 cents a meal; it includes the people who get roughly 30 cents a meal, the average 45 cents a meal, and the absolute maximum of 70 cents a meal.

I don't care if you lived in aisle A-22 of the Safeway, you couldn't get a meal out of 10 cents these days, not without stealing; it just isn't possible.

That is what they count. If they are surprised that people remain hungry, despite the fact that they are subsidizing 95 million meals a day, at the tune of 10, 20, 30, or 40 cents, then they haven't been shopping for food lately. Somebody must be subsidizing their meals, because that is the only way they could possibly be surprised.

They have mentioned all of the numbers of all of the kids getting child nutrition benefits. They mention, for example, that 1.4 million children, low-income children got summer lunches this last summer. They didn't point out to you that during the school year there are about 12 million children who get free, or reduced priced lunches, which suggests to me that there must be another roughly 10 million kids who should be getting lunch in the summertime, and are not. Some children are not eating, who should be eating. That is a serious problem they don't address.

They talk about the fact that their policies are based in child nutrition, at least, are based on a cornerstone of WIC and the school lunch program. It is a very peculiar set of builders who hack away at their own cornerstone.

Their policies in 1981 led directly to the fact that there are now 3.2 million fewer children getting meals at school, 2,700 schools are no longer in the program—that is some cornerstone. That cornerstone that also includes WIC, should we look into it a little more closely, does not reach a lot of people. WIC now serves about one-fourth of those who are eligible.

And right now across the country States are having to cut people off the program—Illinois is cutting 7,500 off; Maryland is cutting 10,000 off; New Jersey, 8,000; Pennsylvania, 14,000 women and children being cut off the program; Ohio, 12,000—some cornerstone. I wouldn't want to have my house resting on that cornerstone right now.

They also talk about the fact that a 6-month freeze on reimbursement rates in child nutrition isn't going to affect anybody because it is not going to lower the rates of reimbursement.

I think Congress understood last year, when it was discussing the pay raise, that a freeze is a cut, if prices go up. Members of Congress made that own argument—that argument about their own salaries, they said, "Our salaries don't go up to meet rising prices, then effectively, we have been cut," right?

If schools don't get rising rate reimbursement as school ages rise, effectively that is a cut. Now, that works a special hardship on the poorer schools, because those schools depend more heavily on the Federal subsidies. For the poorer schools, where they are serving maybe 90 percent free and reduced priced lunches, they depend very heavily on those subsidies. And even a 5-percent increase in food prices will cost them 6 cents a meal, if that freeze goes into effect.

Ms. FERRARO. Ms. Amidei, let me interrupt you for a minute.

How do they respond to that? Do they cut kids out of the program? Do they change the food that they serve, or do they seek subsidies somewhere else?

Ms. AMIDEI. These days they can't seek subsidies from many other sources. I was just over with the American School Food Services Association, and their members are feeling the crunch very directly because States that used to put some State money in, and localities that used to put some local money into the school lunch and breakfast programs, simply can't anymore—they are too badly squeezed.

So, getting it from other sources is not a good possibility for them these days. Certainly, in low-income neighborhoods, where you are

serving 90 percent of the poor kids, you can't go to those childrens' parents and ask them to pay money, because they don't have it to pay.

They find a variety of small ways to nickel and dime around, but the choice for them in the year ahead is going to be whether or not they stay in the program.

They tell me that their margin now, their operating margin, is so tight that they have to make serious decisions about whether or not they will continue to operate programs if they don't have Federal reimbursements that at least meet their base costs—food is obviously a base cost. They can't cut back too much on the food because they have to meet certain reasonable standards, but that is one place they try to save some money.

Ms. FERRARO. They don't count catsup as a vegetable, I presume?

Ms. AMIDEI. Thank goodness, no; not this year anyway.

There is very little that they can do these days to get major kinds of savings, and certainly over the short haul with little warning, they can't get major savings. You can't suddenly decide in the middle of the school year that you are going to change your salary scales, or your equipment levels, or your operating costs. It just isn't possible.

They would be very hard pressed, and I suspect we would lose more schools and more kids from the program, including poor kids.

I don't want to get too involved though in specifics about things the administration said, in part because I want to turn your attention just for a few minutes to something that I brought one copy of, and I would appreciate having it entered into the record. It is just a sampling of the press clips that have come to our office from all over the country.

You will see, if you just even leaf through them, stories that these headlines and these stories tell. Anybody who questions whether or not hunger is a problem again in the United States of America in the 1980's, needs look no farther than their own communities, their own cities, their own towns.

Let me just read a couple of these headlines, "Living on One Meal a Day, or Nothing," that is from Philadelphia. "Needy Brave Cold and Long Lines for Free Cheese," that was from Cleveland. This is going back to 1981. "Community Centers and Churches Experiencing Longer Lines for Food," from Baltimore. "U.S. Hungry Queuing Up, 1930's Style" from the Boston Globe, which had accounts from all over the country.

From the Dallas Times, "Stemming Hunger's Tide, Growing Ranks of Dallas Poor Dependent on Free Lunch." From the Arizona Daily Star, in Tucson, Ariz., "Ranks of Hungry Swelling, But Aid Isn't." From the Mountain Times serving Blowing Rock, Boom Banner, Elk, Lynville, and Newland, N.C., "Hunger in Watauga." From the Chicago Tribune, "Going Hungry in Chicago"; from the Sacramento Bee, "Hungry Finding Meals in Dumpsters."

You will find article after article, story after story, local and Nation, religious leaders saying, "We cannot fill the gap." People all over the country reporting 300, 500, 800 percent increase in the need for emergency food assistance. You will find people reporting the fact that children are turning up in hospitals in convulsions with cases of what the doctors call "water intoxication," because

their mothers had to give them water instead of milk. They couldn't afford to put milk in the baby's bottles, and so they gave them sugar water instead.

Those babies are turning up in hospitals. Linda McMahon tells you that the safety net is intact and nobody with other sources of—without other sources of support is being hurt.

When we were working on our report on infant mortality just about a month ago, I talked to hospital after hospital, health personnel all over the country who told me, "One thing somebody ought to look at is we are seeing more women presenting in labor." That means those are women who show up at the hospital for the first time when they go into hard labor, having seen no one all through their pregnancy, nobody.

In the UCLA Medical Center, I understand it is up about double over last year. Just last week I talked to somebody from Philadelphia hospitals where it is up 35 percent. In hospital after hospital, they tell me these women have absolutely no access to any prenatal care whatever.

I don't know what a safety net would look like, but it certainly isn't in place right now.

These articles, article after article, no work, no money, no food—a 50-year-old man says, "I lose all of my manhood to do this" as he walks away with donated groceries.

People reporting suicides up, children who are having behavioral problems, children being arrested for stealing food. A growing juvenile delinquency problem in this country.

"Hunger in America" from the Raleigh News & Observer; "Defense Depends on Health" from the Philadelphia Inquirer; "Poverty Gap Becomes Sinful" from the Waukegan, Ill. paper. Over and over, in place after place, and these stories are being written now, at current service levels.

If Congress says that the best it can do is current service levels for the food assistance programs, it is insuring that we will see thousands more of these articles, unions setting up bread lines, unemployment consequences and damages, hunger rising problem in metropolitan area, homeless Northerners unable to find work, crowd Sun Belt tent cities, feed the hungry and then give thanks, hunger in America, mayors see need for emergency aid, as recession lingers, United States again battles problem of hunger, churches trying to respond to the challenge—over and over, from city after city, North, South, East, and West, large, small, it doesn't make any difference.

What we need in the food assistance area is not current services protected, I would like to see us get all benefit cuts restored. But I know that is not realistic. At a minimum we need about \$2 to \$2.3 billion, about \$1.4 billion of that to food stamps and another \$500 or \$700 million into child nutrition programs, at a minimum.

[Testimony resumes on p. 127.]

[The prepared statement of Ms. Amidei, with attachments, follows:]

PREPARED STATEMENT OF NANCY AMIDEI

Mr. Chairman and members of the Task Force, I appreciate the opportunity to appear today. My prepared statement is short. I realize that you have already heard from a broad array of witnesses, speaking from many perspectives, all of whom have said: don't cut means-tested entitlement programs any more. Since others have made that case, I want to use my time to speak briefly about the context in which your decisions are being made, and touch on some of the arguments offered by the Administration in support of their proposals.

I have brought with me a sampling of news articles and I would appreciate it if they could be included in the record of these hearings. They speak to the growing problem of hunger, a problem made worse by the budget choices of the past two years. They are in roughly chronological order beginning in late 1981 when that year's budget cuts began to be felt. They are from all over the country. Let me read some of the titles: "Stemming hunger's tide" in Dallas, Texas; "Ranks of hungry swelling, but aid isn't" in Tucson, Arizona; "Facing Hunger Head On" in Martinette, Wisconsin; "Living On One Meal a Day, or Nothing," in Philadelphia, Pennsylvania and "Going Hungry in Chicago, (Illinois), "Hunger in Watauga (North Carolina);" "Hungry Finding Meals in Dumpsters" in California and "U.S. hungry queueing up '30's style."

The stories are local and national. Occasional accounts of local "cheese lines" have been joined by national stories of soup kitchens everywhere, with leaders of religious and voluntary agencies all commenting on the need...the never-ending daily-growing need for food. There are stories of the medical and social consequences of hunger: babies hospitalized in convulsions from "water intoxication" because their mothers have no money for milk, rising rates of suicide and violence, children picked up by police for stealing food, more low-birth weight infants born

of poorly nourished mothers, former executives begging in order to feed their children.

Some of the consequences are short term, others will be felt for decades. We can no longer operate on the hope that the economy will quickly turn around or that there will be no serious damage stemming from the budget cuts. The economy has not turned around; even if there is an upturn in some economic indicators there will continue to be high rates of unemployment for a long time to come. And, there are known, predictable, long-term human consequences when basic health and nutrition services are not available because of the budget decisions of recent years. Many more such news articles will be written if different choices are not made this year.

Yet the Administration has asked for another roughly \$1.5 billion in food assistance cuts. In February the President defended the Administration against charges that his policies were "increasing hunger." The government, he said, now "subsidizes 95 million meals a day." A few weeks later David Stockman cited a similar figure, calling it "an enormous amount;" he added that if food isn't getting to the people, then "something's wrong with the programs."

You may be interested to know that when we called OMB and the Department of Agriculture to find out what made up those "90 million meals" a day, Edwin Dale at OMB and Mary Jarratt's office at USDA gave us the following answer:

66	million meals - 22 million food stamp recipients x 3 meals a day
23	million meals - school lunch
3.4	million meals - school breakfast
2	million meals - child care food program
2	million meals - WIC, CSFP, Needy Family programs
96.4	million meals

Counted among the "subsidized meals" then, are the food stamp recipients who get an average benefit of 45¢ as well as those food stamp recipients who get only \$10.00 a month -- for a per meal subsidy of 10¢. WIC recipients get about \$1 a day in food benefits, so their "meals" are subsidized to the tune of about 33¢. If adequate food isn't getting to these people, it isn't -- as Mr. Stockman would have us believe -- because there is something wrong with the programs; rather it would seem to be a problem with an Administration that calls 10¢ a meal subsidy, and justifies further budget reductions on that basis.

The second point I want to make then is how this year's budget choices relate to what is already going on. I realize that no one in Congress wants to hear about the need for additional federal dollars, but that is simply inescapable. It will not be enough if the Budget Committee and the other Committees of Congress even maintain food assistance programs at current services levels. The need around the country is occurring at current services levels; current services levels are inadequate. At FRAC we have developed a priority listing of about \$2.2 billion worth of additional support for food assistance that is needed ABOVE FY 1983 current services levels, and we regard our priorities as minimal. We are not asking that you restore everything you have cut from food assistance efforts in the last two years -- that would require about \$5 billion above current services -- even though that would more nearly help to meet the growing need. The need is once again so great, so widespread, and so desperate, that small amounts for additional surplus commodities will not do the job. To have any positive impact on the recurrence of hunger, Congress will have to put substantial additional sums into the federal food programs which were so effective in reducing hunger and malnutrition in the past.

A short outline of the items comprising our \$2.2 billion food assistance priorities is attached. You will quickly note that the largest item (\$1.4 billion) would be used to strengthen and improve the Food Stamp Program. Another important element of the package involves restoration of previous eligibility standards and reimbursement levels for free and reduced price school meals. Many of the newly unemployed and the underemployed simply cannot afford reduced price meals. Schools attempting to serve large numbers of children from low-income and low-wage earning families cannot afford to maintain their programs. 3.2 million children are no longer participating in the school lunch program (37% of them low-income). That attrition will continue without firmer financial support for the program.

Finally, I want to put what I have just said in a bit of perspective. Between 1979 and 1980, poverty rose 13.5%; between 1980 and 1981, it rose another 7.5%. There was a higher incidence of poverty in this country in 1981 than we had seen

since 1967 (numerically, the poverty count for 1981 was higher than any year since 1965). When the number of those living in households with incomes just marginally above the poverty line is included, the total comes to 44 million Americans who were in very low income households in 1981. Those 44 million people are the group "at risk" of hunger, the number likely to need help if they are to keep food on their tables. Information on 1982 is just now being collected, but it is assumed that the figures will show an increase once again. Closely related to the poverty statistics are the unemployment rates which have continued to remain exceptionally high. The rise in poverty is a function of the state of the economy.

But who among the poor gets help is a function of the actions of Congress and the Executive, and in the face of greater need than this country has experienced in many years, Congress has chosen the past two years to reduce the number of poor people eligible for any kind of publicly-aided help. Food Stamps, the largest of the assistance programs, only reaches 22 million people; just about 15 million get cash assistance from AFDC or SSI. Overall, 41.5% of the poor get neither food stamps nor Medicaid nor free school meals. The notion that people in economic trouble are getting help from government sources simply isn't true. And it became must less true in the past two years. Twenty-nine states provide no welfare, no medicaid, to a family with a father present — no matter how poor, sick, or desperate their circumstances. Millions of the unemployed and their families qualify for no public benefits whatsoever.

And, for those who do get help from public sources, that help is now less adequate. This too is a function of deliberate choices made in the last two years. The most that an unemployed family can get on food stamps, if they have no other income in the house at all (unemployment benefits are exhausted, savings depleted, insurance policies cashed, a brother-in-law approached for a loan for the last time) works out to 70¢ per person per meal. High-risk pregnant women in the WIC program now get fewer ounces of milk and low-income children in child care settings can only get two meals and one little snack -- even if they are in care for 10 or 12 hours a day. Welfare benefits have not kept up with rising costs, and Medicaid now covers fewer services for fewer days. The ability of WIC benefits to supplement inadequate food

stamp benefits disappears for all those women and children who cannot get into WIC because of the ceiling on funds; for them, food stamps become the primary means of getting food.

The short version of the context in which your decisions will be made has three parts: poverty (need) is UP; eligibility for any form of help is DOWN; and even those who still get help, get less.

That is why the lines in the soup kitchens and emergency church pantries never seem to end, and why they always seem to double and triple in number at the end of every month. The first week or two those emergency food outlets serve the millions who do not get any help from government sources, and the last two weeks they are also asked to fill the gap created by Congress in benefits that are known to be unable to meet even minimal, emergency needs.

When I mentioned at the outset that I appreciate the opportunity to be here, I am quite sincere. I hear the desperate pleas of all those fine, caring, decent people who have been asked to do Mr. Stockman's dirty work. They, not he, must turn away the frantic parents when emergency food supplies run out; they, not he, must tell the elderly that there will be no more food this week or next. My plea to you is for them and for the people they are trying to serve. Anxiety levels everywhere are high and rising fast. The choices you make in the next few weeks will determine where they go next.

Attachment.

CAMPAIGN TO MAKE FOOD PROGRAMS MEET THE GROWING NEED

In the face of Reagan Administration proposals to cut about \$1.4 billion from federal food assistance programs, the National Anti-Hunger Coalition and FRAC are taking the offensive this year by fighting for an addition of \$2 billion to the budget for those programs. Supporters of the food stamp, child nutrition, WIC (Women, Infants and Children), and the elderly feeding programs are urged to join the "Campaign to Make Food Programs Meet The Growing Need."

Full restoration of cuts made in the food programs during the last two years would take at least \$5 billion—a figure considered to be politically unrealistic, given mounting concern over federal budget deficits. Rather than full restoration, FRAC proposes that Congress provide enough additional funding to make meaningful changes in eligibility and benefit levels to help the poorest families, the newly employed, and the working poor.

FRAC contends that emergency funding for provision of commodities to food banks and other institutions, while helpful, simply cannot perform the necessary massive task of combating the return of widespread hunger to America.

The largest infusion of funds sought, about \$1.4 billion, would go to the Food Stamp Program, the single largest provider of relief to low-income families. About \$1.1 billion of that amount would supplement the benefits of every household by 10 percent. Because the poorest families get larger benefits, this supplement would be heavily weighted toward the poorest families on the food stamp rolls.

About \$500 million would be added to child nutrition programs to lower eligibility standards for free and reduced price school meals, eliminate the 20 cent cut in the subsidy for reduced price meal subsidy, and raise reimbursement rates for the Child Care Food Programs. WIC funding for fiscal year 1984 would be raised to \$1.256 billion, or \$130 million above the current authorization ceiling. This would extend WIC benefits to an additional 300,000 pregnant women, infants and small children above the current caseload of 2.35 million persons.

POINT-BY-POINT ANALYSIS: CAMPAIGN TO MAKE FOOD PROGRAMS MEET THE GROWING NEED

PART A

Point One: In FRAC's Food stamp funding place: a 10 percent increase in monthly benefits.

The basis for this supplement is the fact that many food stamp recipients and their families are showing up in soup kitchens and emergency food centers because their benefits run out long before the end of the month, often during the third week of the month. The 10 percent supplement makes some effort to stretch benefits beyond that third week.

Point Two: In the FRAC plan: permanent restoration of the 1 percent cut in the Thrifty Food Plan. The cost estimate for fiscal year 1984 is \$170 million. A family of four would gain about \$3 per month in benefits. The content of the Thrifty Food Plan is nutritionally inadequate to begin with. Families find they must stretch their coupons by buying large amounts of starch and bulk items and not enough lean meat, fruit and fresh vegetables. Restoration of the 1 percent cut would at least keep the present plan current with food inflation—which has not happened in two years.

Point Three: A permanent increase in the allowable value of the vehicle of a food stamp applicant. The current ceiling of \$4,500 was set in 1977 in an attempt to route out some mythical welfare cadillac owners. The limit should be raised to comply with the CPI car component as a matter of equity but more importantly to provide some needed relief to the newly unemployed who are being denied access to the program because they own often modest cars they bought while employed. FRAC proposes at a minimum ceiling of \$6,500. The cost estimate is (if the CPI level were used, the limit would be raised to \$7,700.) \$50 to \$100 million. The current situation is a hardship on the unemployed who must sell their cars (taking a loss if they can find a buyer) and repurchase other less dependable vehicles within the limit.

Point Four: Separate limits on the child care and shelter deduction so that families with expenses in both categories can take advantage of each deduction. Index the current \$115 limit for each to comply with fiscal year 1983 CPI increases (mortgage rates are excluded) for the October 1983 update. The costs estimate is \$35-45 million.

Point Five: Make monthly Reporting/Retrospecting Budgeting optional. States that have already begun their systems may retain them, and states committed to MRRB can implement their systems. But states that fear the administrative and

cost commitment to MRRB can continue to operate their current systems. MRRB was made mandatory when little information was available showing its cost-effectiveness. Preliminary monthly reporting data from Colorado has been discredited, and data from other states now doing monthly reporting for AFDC (Aid to Families With Dependent Children) shows greater costs than savings. Retrospective Budgeting achieves some savings simply by looking at past (and often irrelevant) circumstances to determine benefits. Current need should be the basis for benefit determination. It is important to note the states are still required to meet a strict new error rate standard of 5 percent by fiscal year 1985 or face monetary sanctions.

Point Six: The rejection of mandatory workfare. Workfare data indicates that the system costs, not saves, money. The unemployed of this country want real jobs, not deadend "make work" without health and other benefits.

PART B

Point One: Restore free meal eligibility for child nutrition programs (excluding WIC) plus a standard deduction to 125 percent of the poverty line. It is currently 130 percent with no standard deduction. This change contributed to the loss of 744,000 low-income children from the lunch program during the 1981-1982 school year. Since low-income children depend on school lunch for one-third to one-half of the nutrition they receive each day, there is a great need to get these children back into the lunch program. Also, with increasing unemployment, the need for such a program grows.

Point Two: Restore reduced price meal eligibility for child nutrition programs (excluding WIC) to 195 percent of the poverty level plus a standard deduction, and decrease the charge to the student to 20 cents. The current eligibility level is 185 percent with no standard deduction, and current price is 40 cents. These changes contributed to the loss of 325,000 needy children from the school lunch program, or a 16.6 percent drop in reduced price participation. These restorations would insure that many more children would receive nourishing lunches and many more schools could keep their programs afloat financially. As with the free lunches, the number of children eligible and in need of reduced price lunches is growing.

Point Three: Restore the full number of meals and restore the tiering system of reimbursement to the Child Care Food Program. In the past child care centers and family day care homes could serve three meals and two snacks if preschoolers were in their care all day. Currently they may serve only two meals and one snack. Centers and homes throughout the country report that children in centers and homes whose parents must work long hours go hungry for lack of enough funds to pay for the meals they need. Centers and homes have been financially hurt by this cut, and the costs of day care have increased.

Point Four: Raise funding for WIC to \$1,256 billion. An estimated 9 million persons qualify for WIC and the present economy is increasing this number. WIC clinics around the country report increasing numbers of applicants and growing waiting lists. WIC food and WIC nutrition education can result in decreasing the chances of low birth weight infant mortality, anemia, or retarded growth.

PART C

Reject all program cuts proposed by the Administration or other public offices. Further cuts would be irresponsible and punitive.

[From the Baltimore (Md.) Sun, Nov. 8, 1981]

COMMUNITY CENTERS AND CHURCHES EXPERIENCING LONGER LINES FOR FOOD

(By Eileen Canzian)

The bread line at St. James and St. John's Roman Catholic Church is longer than it's ever been.

The free-lunch program at the Franciscan Center can no longer give seconds for fear that the food will run out before everyone has eaten.

And at the Absalom Jones Center in Forest Park, the directors are thinking about holding fund-raisers so they can keep up with the demand for groceries from their emergency food pantry.

Many Baltimore church and community centers are being deluged with requests for food from people who, in dramatically increasing numbers, no longer have enough money to buy their own.

A number of the food programs served more people during the last week of October than they had during any similar period in their history—an increase reflecting, in part, the welfare and food stamp cutbacks that took effect October 1.

But demand at other programs has been up for several months. The people who run them say there are several other factors contributing to the increase, including continuing unemployment, the struggle of the elderly to live on fixed incomes and the increasing difficulty even working families have in coping with rising food costs.

"I'm finding more and more blue-collar people coming in," said Brother Tom Rochacewicz, C.S.S.R., who has been distributing groceries at St. Michael's Roman Catholic Church in upper Fells Point for more than seven years.

While seeing new kinds of faces, "Brother Tom," as he's known at the parish, says he also continues to see his traditional clients, a group that includes the elderly as well as "bag ladies" and "drifters."

The nature of the population served by the various food programs depends in part on their operating procedures. So-called soup kitchens, where meals are served, tend to operate on a walk-in, no-questions asked basis. The absence of a formal application process, as well as the availability of prepared food, makes them more likely to attract people who have no home but the street.

But Sister Josanna Abromaitis, S.S.N.D., who runs the Our Daily Bread lunchroom at 17 West Franklin Street, noted the format also appeals to elderly persons who live in single rooms without kitchens—and who may be too proud to ask for help elsewhere.

"I'll be glad to talk to you, but don't use my name—a lot of people don't know I come here," a neatly dressed, gray-haired man told a visitor at Our Daily Bread last week.

Brother Tom's grocery line at St. Michael's also operates without paperwork. But most of the programs in which a two- or three-day supply of groceries is distributed for recipients to take home don't handle "walk-ins." People seeking their service usually must be referred to the program by the Baltimore Department of Social Services or their church.

The application system is partly intended to prevent abuse. But as the heads of programs requiring such references point out, the process also insures that applicants—generally families—have "gone through the system" and are receiving all the counseling and financial assistance available to them.

Demand at nearly all the programs is highest near the end of the month, when money has run out and more won't be coming until the new month begins.

A person in need of food who goes to his local social services office—and such applicants do not have to be on welfare—may be referred first to the city's Emergency Services Center at 1500 Greenmount Avenue, which distributes three-day grocery supplies purchased with State and city funds.

If applicants need more help after that, or if it is difficult for them to travel to the center in the first place, they are referred to one of the privates. * * *

[From the DHP Exchange, January 1982]

CRISIS IN MEETING HUMAN NEED

Hartford Food System.—There is a loss of 3.7 million dollars in food purchasing power by low-income people in Hartford this year. 1,200 households have been dropped from the Food Stamp program; 2,000 fewer children, 1 to 5, will be participating in the WIC program. Thousands of students are affected by lunch, breakfast and milk program cutbacks. Hartford has the highest infant mortality rate in the state, 25 deaths per 1,000 in low income families. Nutrition related health problems affect this rate as well as being related to hypertension and diabetes. Abandonment of supermarkets in low-income areas: 1 medium sized supermarket serves 50,000 people in Hartford's Northeast.

New Orleans, La.—The New Orleans Food Bank serves 19 agencies in the metropolitan area. One-half of these agencies have doubled their requests for food since October 1, 1981. The Food Bank is the primary emergency resource for New Orleans.

Phoenix, Ariz., WHEAT.—25,000 welfare recipients in Arizona will be cutback or eliminated from benefits due to Reagan administration budget cutbacks. 7,000 to 8,000 families will lose Food Stamps and that 12,000 to 14,000 will receive fewer food stamps. 1,200 families will lose benefits from AFDC and 2,000 will receive less aid. The proposed budget cuts have cost Phoenix, alone, \$4.4 million. In 1981 the city laid off 150 employees; the first time it has done so in about 25 years to help bal-

ance the city's \$425 million budget. The city will lose \$1 million for public housing programs which included rent subsidies for low-income families. The break-out of the losses will also include losses of \$984,000 for community development programs, \$542,000 for human resources; \$540,000 for transit services and \$164,000 for employment and training programs.

San Luis Valley Food Resources Project, Colorado.—"A family of 6 is out of work. They cannot get AFDC because even though they can't get an unemployment check for 2 months they are eligible for unemployment benefits. We let them stay in a house we are just beginning to make into an indigent/transient shelter facility. The family is able to get food stamps but the state has not released its funds for energy crisis intervention. Funds are short and heating is a big problem. We found a second-hand wood stove and make small payments on it. Wood is donated and begged from here and there. Meanwhile 1½ months go by. The only help this family has with four children ages 6, 6, 3, 2 has been Food Stamps.

Illinois Ecumenical Action Program, Springfield.—Ripple effects of budget cuts has caused less money to be available for Day Care. Legal Assistance is suing the Department of Child and Family Aid to keep Day Care facilities open so that the working poor will have child care options.

Kentucky Hunger Task Force.—In Fayette County where Lexington is located there has been a loss of \$3.3 million to people on Food Stamps and Aid for Dependent Children. In Wolfe and Knott counties food sales at the grocery stores are down 40 percent.

Christians Against Hunger in Georgia.—7,200 households in Georgia lost their eligibility for Aid to Families with Dependent Children and Medicaid in the first two months after the budget cuts went into effect in October 1981. At the same time some 4,500 Georgians lost their Food Stamp eligibility. February 25 is being designated as the "Day of Justice and Compassion" and a rally is being organized by the religious leadership of Georgia so that they may voice their concern about cuts in human services.

San Luis Valley Food Resources Project, Alamosa, Colo.—Things seem to tighten week by week in the Valley. Here public health nurses are being laid off and the WIC program reduced. The San Luis swimming pool will be closed next summer for lack of \$2,250. Almost every district around us has laid off school teachers, many in midyear (coaches leaving their teams in midseason, etc.). Mines and lumbering have shut down; the perlite plant has cut back. It hurts in an already depressed area. Most farm products are not selling at cost of production; luckily potatoes did do well this year.

WHEAT, Arizona, office in Phoenix.—Saturday, February 20th, WHEAT sponsored an ecumenical Hunger Event, What Do We Do About Hunger? Special emphasis was to train church people to communicate with their congregations the urgency around the budget cutbacks to Human Service programs. Ten state employment offices closing by March 1.

Georgia A.M.P., Decatur.—"Small Farms In Georgia—How Do We Survive the 1980's?" is the theme for the Georgia AMP Annual meeting and small farm conference on Saturday, March 6 at Camp Calvin, Hampton, Georgia. Since 1950 there has been an average of 2,000 farmers going out of business every week! One of Georgia AMP's operation is a Bulk Marketing Co/op that has been in operation since July 1981. The Atlanta Produce Exchange, as it is called, serves customers with locally grown wholesale produce. The urban-rural connection for survival!

A Telephone Call From Northern Indiana.—A pastor called Child Advocate, Rev. Eileen Lindner, in DCS to say he had just come from the jail where a father who had murdered his three children was being held. The children were ages 7, 5, and a little over a year. The father had been out of work for four months, laid off from an auto factory, had looked everywhere for work; his wife had gone to work as a domestic in a motel near by. He couldn't stand to have his children see him idle.

[From the Chicago Tribune, Sunday, Apr. 11, 1982]

GOING HUNGRY IN CHICAGO

(By Eileen Ogintz)

Thousands of Chicago-area children and infants are going to bed hungry as continuing inflation and cuts in social programs leave their parents without enough money for food, particularly toward the end of the month, officials of several charities say. "This is a very serious problem. I don't think people realize that children and adults really are going hungry in Chicago," said Jane Ramsey, executive director of the Jewish Council on Urban Affairs, which works with dozens of community

organizations and food pantries that give out donated food to the poor. "If people only realized the severity of the hunger here, I think they would have to respond."

"Unfortunately it's true that many children are going to bed hungry," agreed David Chandler, director of the Food Depository, a Chicago agency that provides 375 free food programs and pantries across the city with donated supplies. "The numbers are frightening." Chandler said the 375 programs are feeding 40,000 persons a month—compared with 22,000 a month less than a year ago. Even worse, he said, the pantries have indicated that they could serve another 4,000 to 5,000 persons each month, if more food were available.

"The food pantries are inundated with families who need food and they don't have enough to give out," Ramsey added. "It's criminal if people don't do anything about this." Dan Pittman, a spokesman for the state Department of Public Aid, which administers the food stamp program, said: "I think the people from the charities are being accurate on this issue. I have no doubt that this [that children are going hungry] is happening; but the department has no direct proof. In many households we know that people run out of food stamps and out of food."

Pittman said that though food stamps are supposed to be only a supplemental food source, officials recognize that many families rely totally on them. "And if they run out of stamps before the end of the month, they have to rely on charities. At the same time, \$200,000 that was earmarked for the city's Emergency Food Program has been shifted to the city's Neighborhood Department to help pay for 25 new patronage jobs, according to Ald. David Orr (49th). "That's just creating extra bureaucracy," Orr said. "In the meantime, more people are going to go hungry." He said he wants to see the money restored and may ask next week for a special City Council meeting to consider the issue.

Jerome Slumka, director of the city's Emergency Food Program, said he believes that the program's \$1,050,000 1982 budget—double the 1981 budget—is sufficient to feed those who qualify for the short-term assistance. "We can manage without the additional \$200,000," Slumka said, adding that the money in question is not going directly to the Department of Neighborhoods but into a pool fund to be drawn on by several city departments, including Neighborhoods. "If there wasn't sufficient money, there's no question that we would request more," Slumka said. "I'm sure there are people who are not getting the nutritionally balanced meals they should be getting," Slumka added. "The only way this will be solved is with cooperative effort between the public and the private sector. We are cooperating with them to meet this need."

Mothers who talked to a Tribune reporter said they often feed their infants instant milk and syrup because this combination is cheaper than baby formula. Others say they buy infant formula when they have the money—or get it from free food pantries—but dilute it so much to make it last longer that it loses much of its nutritional value. They say they often don't have enough money or food stamps, particularly at the end of the month, to provide three meals a day for their children. So for those too young to go to school, where free breakfasts and lunches are available, one meal a day must often suffice.

"I just tell them they're skipping lunch," said 36-year-old Gloria Eubanks, who lives on the West Side with her 13 children and supports them with a \$926 monthly welfare check. "The doctor tells me to give them milk and juice," Mrs. Eubanks said. "But there's just not much money left after I pay the rent and the gas bill. "There are nights when all I have to give them is bread," she said.

"We're seeing more problems of children not getting adequate nutrition. I'm very worried," said Sister Brenda Stewart, a pediatric nurse who works at Marillac House, a West Side social service agency run by the Daughters of Charity, and who sat listening as Mrs. Eubanks discussed her plight. Sister Brenda said 400 bags of food were distributed last week—just in time for Easter—to families like the Eubanks who otherwise might not have any Easter dinner. "When mothers run out of money they give the children whatever is around—bread, potatoes, gravy," Sister Brenda explained. "So much of a baby's future depends on his first years and if he's not nourished well, he can't grow physically or mentally."

A Cook County Hospital spokesman said there has been no indication of widespread malnutrition among children seen there. But Dr. Katherine Vedder, head of the hospital's child protective services, said last week she had five patients, aged four and under, in the hospital suffering from malnutrition because their parents hadn't fed them. "It's a form of child neglect," Dr. Vedder said, adding that the situation is caused by the parents being so distressed over other problems that they forget to feed their youngsters and by not always having enough food to give them.

Evidence of malnutrition among children in Massachusetts stirred national controversy in recent weeks when a newly released study revealed that the problem

was as common in one group of 379 inner-city youngsters as among children in Third World nations, according to the Washington-based Food Research and Action Center. "The deep budget cuts in the food programs and our contacts with low-income people around the country have given us good reason to fear that malnutrition is becoming a serious problem once again," Center Director Nancy Amidei said when the study was released. "Almost every week we learn of some new tragedy, some new local survey of rising emergency food needs."

In Illinois, more than 45,000 person—two-thirds of them in Cook County—have been taken off the Food Stamp program since fall because of President Reagan's budget cuts, according to Paul Stewart, a spokesman for Food Justice, a Chicago organization that operates a food stamp information hotline. At the same time, unemployment is the highest it has been since just after World War II, with 9 percent of the nation—just under 9.9 million people—out of work. In Illinois, 547,000 workers are reported unemployed—9.8 percent. "We're picking up more applications for food stamps than we've had in five years—almost 70,000 are pending," said a spokesman for the state Department of Public Aid, adding that almost one million persons in the state receive stamps.

There also are other food programs especially geared to feed hungry children—from free school lunches to special supplemental food programs for pregnant women and infants. But the Illinois Commission on Children reports that the 1983 proposed federal budget calls for cutting these nutrition programs and others across the country more than 20 percent.

Meanwhile, officials concede, there are more Chicago families than ever who can't put enough food on their tables. Kay Hallagan, family services supervisor for Marillac House, said the agency's food pantry—stocked by donations—supplied 1,263 persons with needed food in March. Two years ago in March, the pantry supplied less than half that number—only 450. At least half of the food, Hallagan said, goes to feed children. "It's hard to go to sleep when you're hungry. You have dreams about food," conceded 15-year-old Roxanne Williams, who has an infant son and lives on the West Side with her mother and eight brothers and sisters.

She had come to Marillac House to get a bag of food for her family: chicken, canned goods, instant potatoes, rice and a gaily colored Easter basket of candy. "There's nothing for the little ones to eat for breakfast and lunch," Roxanne said. "We can't afford it." She said she gives her baby instant milk and syrup because it's cheaper and the combination lasts longer than formula and because the baby likes it better. "But it always seems like he's hungry," she said. Roxanne said she only eats one meal a day—at dinner time—and too often, that means beans and rice. "I get hungry," she sighed. "But it really doesn't make any difference."

[From the New York Times, Thursday, May 6, 1982]

STEEL UNION GIVING AWAY FOOD TO JOBLESS WORKERS

HOMESTEAD, PA., May 5 (AP)—Laid-off steelworkers lined up for free bread, milk and canned goods today as their union opened a food bank.

Retired members of the United Steelworkers of America volunteered their time to hand out grocery bags filled with canned meat, tuna fish, soup, beans and other staples for those whose unemployment benefits were nearly exhausted. Union officials said they were prepared to hand out 250 to 300 bags of food today. Distribution will continue once a week until supplies are gone, they said. Nearly a third of the 7,000 workers at the United States Steel Corporation's Homestead Works have lost their jobs.

"We're talking about feeding people who have nowhere else to go for help," said Mike Stout, a grievance officer for the union. "We want to make sure people at least can get by and at least have something to eat to ride through this crisis." About two dozen men and women, some accompanied by their children, waited in the hallway of a vacant school in this blue-collar town east of Pittsburgh for the 10 a.m. opening of the food bank.

"We're in a soup line," said Jim Davis of Homestead, who said he was laid off after 26 years on the job. "I lose all my manhood to do this," said Mr. Davis, 50 years old, as he carried two bags of groceries for his family. "But what can I do? You have to eat. It's very bad, and it's not getting any better."

The food is being given to union members whose unemployment benefits have expired, to those who are on extended benefits and to heads of households who are out of work. The food giveaway was financed by a benefit rock concert, raffles and dona-

tions at mill gates. The union is planning more concerts and other events to raise funds to keep the food bank going.

[From the Arizona Daily Star, Tucson, Tuesday, June 1, 1982]

LOCAL SURVEY IS PESSIMISTIC—RANKS OF HUNGRY SWELLING, BUT AID ISN'T

(By Vicki Kemper)

A new report on Tucson's food needs contains lots of numbers, but behind the numbers are real people. Many of them are hungry, many depend on someone else for food, many do not know where their next meal will come from, and almost all of them are subject to the swings of President Reagan's budget ax.

The authors of "Tucson Hunger Survey" conclude that it is difficult to say how many hungry people live in Tucson and Pima County, but one thing is certain: There will be more. "This is just the tip of the iceberg," says co-author Peter Bourque. "With continuing (federal budget) cuts, it's just going to get a lot worse."

Bourque, director of the Hunger Action Council, and Connie H. Ronstadt, a nutritionist with the Meals for Millions/Freedom from Hunger Foundation, began their survey in January 1981 interviewing administrators of 22 local agencies and organizations that provide food relief.

Bourque released the report on Friday, and its findings are not encouraging. Although food assistance is provided about 75,000 times a day in Tucson, "most emergency food agencies are currently operating at near-capacity levels and would be unable to adequately respond to dramatic increases in demand," the report says. But, because of federal budget cutbacks in social service programs and the effects of the recession, increases in demand are exactly what most of these agencies have experienced in the past year.

The Community Food Bank distributed 52 percent more food boxes during the first three months of this year than in the same period last year. And with the recession deepening and local unemployment increasing, demands for emergency food are still growing. "I don't know how we are going to handle all these people," said one administrator.

The Department of Economic Security provides food stamps to 39,810 county residents a month, a decrease of less than 1,000 from last year's level. The minor decrease, a result of more restrictive eligibility requirements, comes at the same time as a 17 percent cut in the federal food stamp program.

The denial rate of applications for food stamps in Pima County has increased 10 percent since October, when the new regulations took effect. The DES estimates that although 15 percent of the families in Pima County have incomes below the poverty line of \$8,450 for a family of four, only 7.8 percent receive food stamps. The county-administered Special Supplemental Food Program for Women, Infants and Children, like many agencies that rely on federal funding, has suffered budget cuts and increased numbers of clients.

The Urban League Child Care Program lost 13 percent of its funding. Federal funding for school breakfast and lunch programs was slashed by one-third, prompting the Tucson Unified and Flowing Wells districts to discontinue subsidized meal programs in their high schools. And the Senior Now Generation, dependent on the federal government for 51 percent of its funding, lost \$35,000 in 1982. Yet, according to Bourque and Ronstadt, "the effects of federal cutbacks are just beginning to be felt." The programs are slated for further cuts in the 1983 fiscal year, and this "will cause many more poor people to have serious food-obtaining problems."

As possible solutions, the administrators suggest restored or maintained funding, nutrition education, "changing the system," increased job training, and "workfare," which would require the hungry to work in exchange for food. But they concede that these solutions "will not be enacted." Federal food assistance programs are being reduced across the board, and Reagan is proposing that the Nutrition Education and Training Program be eliminated. In light of that, Bourque said, "people shouldn't just sit back and let federal funding take its course." He says he believes federal programs are good and necessary, because "the poor and hungry should not have to rely on emergency handouts."

Bourque suggests that individuals write their senators and representatives to encourage allocating nonmilitary funds to food assistance programs. Locally, organizations and individuals should "step up contributions" and maintain support for local food relief agencies, he says.

[From the U.S. News & World Report]

SURGE IN PETTY THEFT—SYMPTOM OF HARD TIMES

DESPERATE PEOPLE—AND MANY WITH NO EXCUSE—ARE RAIDING STORES OF FOOD, CLOTHING AND MEDICINE. COMING: A NEW CRACKDOWN BY RETAILERS

(By David A. Wiesler)

A young mother is caught tucking a roast under her coat at a Portland, Oreg., store. "I've done it before and I'll do it again," she tells police. "I'm not going to let my babies starve." Two shoppers in a Louisville store get \$400 worth of baby clothing but pay only \$36 for it because a friend is working behind the checkout counter.

A man sits down in the middle of an aisle in an Atlanta supermarket and begins eating food off the shelf. "I know they're going to lock me up, but I'm hungry," he says later. These are but a few of the many instances of shoplifting and petty theft reported by merchants and police. "Petty theft is on the rise," says David Proper of Golub Corporation in Syracuse, N.Y., which runs 60 supermarkets in the region. "People who wouldn't have stolen before now consider it an option because of economic pressures."

Food is a major object of theft, but so are cosmetics, medicines, clothing, beer and cigarettes.

NO TYPICAL CASE

Thieves are of both sexes and all ages. An official at Sunshine Department Stores in Atlanta notes that while parents are stealing shoes and clothes, their children are off lifting toys. In Chicago, elderly thieves spend their fixed incomes on food and end up pilfering other items such as health-related products. "I caught a woman about 78 years old stealing toothpaste and denture cream," says Chicagoan Bill Hugo, manager of a Jewel Food Store. "She said she didn't have any money to buy them."

Among the popular ways to make off with goods, according to officials of Consolidated Sales Company, a Louisville-based discount chain, are switching more-expensive goods to boxes marked with lower prices or using a dressing room to conceal stolen clothing under the shopper's own garments.

Police departments in urban areas and in regions with high unemployment report an increase in small-time heists. Atlanta police say that shoplifting cases jumped from 3,409 in 1980 to 3,822 in 1981. In Dallas, shoplifting incidents are up more than 20 percent this year. New York City had a 20 percent increase in such complaints last year, while Coos Bay, Oreg., a timber town of 14,275 that has endured double-digit unemployment for nearly three years, had a 50 percent hike in shoplifting in the last year.

"Percentage-wise, shoplifting is one of our fastest growing crimes," says Coos Bay Police Sgt. Charles Knight. Many blame the economic slump for this epidemic of stealing—especially for food thefts. Nick Lambros, state court judge in Atlanta's Fulton County, says the grocery shoplifters who come before him are "typically poor people" who have taken a pound of bacon or a loaf of bread. He adds: "You ask them, 'Why did you do it?' They say, 'I was hungry.' What can you do?"

Adds Tony Stoutt, police chief in Kelso, Wash., a town hurt by the lumber slump: "People out of work for long periods sometimes feel they have no choice but to steal if they want to feed their families. I guess they think they have a better chance of getting away with petty theft than armed robbery." Others, however, trace the jump in stealing to what they see as a general breakdown in ethics. "These people steal because they want something for nothing, not because they are in need," says Leonard Kolodny, manager of the retail bureau of the Greater Washington Board of Trade.

Also leading to the increase in reported thefts is a growing determination by merchants to prosecute. While many say they will let a first-time offender off with a warning, more firms are taking the small-time thief to court. "We're very strict about prosecution," says Frank De Fini, operations manager of the F.A.O. Schwarz toy store in Manhattan. "We get the cops. Shoplifting won't be tolerated."

Others are stepping up security measures. Peoples Drug Stores, Inc., has put closed circuit TV cameras in about 150 of its 550 outlets in the East and Midwest. Checkpoint Systems, Inc., of Thorofare, N.J., has developed an electronic device, similar to an airport detector, that sets off an alarm if a customer tries to go past a cashier without paying for an item. The device is used in 5,000 retail stores and libraries and is now moving into supermarkets.

Consolidated Sales Company, the Louisville discounter, is emphasizing "more aggressive floor coverage" in which clerks approach customers sooner, asking if they can help them. The firm also makes sure clerks know the prices of merchandise so they can recognize switched price tags.

A HELPING HAND

If an offender is poor and has no record, efforts are sometimes made to help the person out. Chicago police may refer someone to charity groups, and some store managers offer needy people items whose shelf life is about to expire.

In Atlanta and Washington, D.C., those convicted of petty theft for the first time usually draw some kind of public service, such as cleaning up parks or helping in hospitals. But many merchants believe that authorities are too lenient with thieves. "They pay the \$20 fine gladly and leave," says Virgil Rogers, manager of the Piggly Wiggly supermarket in Broken Bow, Okla. With fines low and a stagnant economy, few feel there will be any lessening in petty theft. "We see them right back in the store after a few days," observes Maurice Robinowitz, president of Houston's Downtown Food Market. "Some people don't give up easily."

[From the Pittsburgh Post-Gazette, Friday, Oct. 15, 1982]

HUNGER HERE AND ABROAD

Until recently, when the word "hunger" was mentioned most Americans thought of it as a problem somewhere else in the world. Government programs like Social Security, food stamps, surplus commodities distribution and free school lunches presumably had lifted that scourge in the United States. It was comfortable to focus on the purpose of World Food Day, initiated in 1979 by the Food and Agricultural Organization of the United Nations to "heighten public awareness of the nature and dimensions of the long-term world food problem."

But as World Food Day is observed tomorrow, there is a new focus for Americans. The recession and administrative rule changes by the Reagan administration to remove recipients from welfare and food stamp rolls have produced a new need along with relief efforts unknown since the Great Depression. Not just the traditionally needy are affected; here in Western Pennsylvania steelworker groups have set up food banks to help out families of their laid-off members.

The major private nonprofit agency in the field in Pittsburgh, the Hunger Action Coalition of Pittsburgh, reports it has had to devote an increasing amount of time to working on local hunger issues. (A 1977 study by the coalition and the Office of Urban Research at the University of Pittsburgh estimated that hunger affects 48,000 residents of Allegheny County annually). The coalition started the Pittsburgh Community Food Bank, which now services about 300 sites and pantries around the county and some outside it; initiated the establishment of 50 food pantries to provide emergency food assistance to those in need; and organized distribution of USDA surplus commodities on a regular basis.

The agency has had help from businesses with unwanted food—cereal with too many raisins in it, grapefruit juice tinted the wrong color, day-old bread and the like. But it stresses the need for money, food and the time of volunteers. Yet officials of the Hunger Action Coalition say that, important as this emphasis is, the larger dimensions of world hunger should not be forgotten on World Food Day. An estimated half a billion people now suffer from hunger or malnutrition, with children under five making up over half of the malnourished.

Until recently, the consensus among international hunger experts was that the cause of hunger is simply too many people and too little food to go around. Now a surprising number of experts believe that worldwide hunger is essentially the result of poverty, so that reducing poverty is the primary solution. Because land in many countries increasingly is held in fewer and fewer hands, land reform is necessary. Too often, also, crops for export are emphasized, to the detriment of growing food for domestic use. Problems of distribution, transportation, and credit systems for farmers also hinder the task of feeding hungry mouths.

An America that harvests more than half of all exported grain and holds the largest grain reserves in the world obviously is in a pivotal role. It is not surprising that on World Food Day the eyes of a world with so many hungry people are particularly on the American government and the citizens whose votes determine its leadership.

[From the Sacramento (Calif.) Bee, July 25, 1982]

MANY HUNGRY FINDING MEALS IN DUMPSTERS

(By Dale Maharidge)

Swarming flies perform an aerial dance inside the rusty dumpster behind a North Sacramento supermarket. The hum of insects subsides when shadows blot out the hot sun. Two pairs of eyes peer over the rim, scanning for something to eat. "There are some mustard greens for supper," says Oleta. David, her husband, shoos the flies away. He hooks the stump of his severed arm over the edge of the dumpster and with his other limb uses a metal probe to claw vegetables, tortillas and other foodstuffs into Oleta's waiting arms.

Back at their apartment, the finds are carefully stocked away. David explains that dumpsters sometime mean the difference between eating and going hungry. "We're glad to get this food," says Oleta. "There was a time when we were eating popcorn three times a day." The couple is not alone. A random check of Sacramento area grocery store and fast-food-outlet dumpsters during a month-long period found dozens of people drifting by in search of food at all hours. No one, including store spokesmen and social workers, really knows how many others like David and Oleta are out there. While foraging in dumpsters is illegal within the city limits, police say arrests are rare.

Dumpsters have always been a source of nourishment for those living on the edge of economic survival. But trash bins have taken on a new importance for the homeless, according to numerous transients interviewed, because of a crackdown in enforcement of food stamp regulations. Dumpsters are also important to some permanent residents. They include the elderly and the Davids and Oletas who find it difficult to get by on fixed incomes.

David is 46. He is missing an arm and a leg, and says it's hard for a handicapped person to get a job. Oleta is 52. She has diabetes and a plastic joint in her knee. Between them, they receive \$835 each month in federal supplemental security income benefits for the disabled. When they married one year ago, it was hard to make do on the monthly stipend. And because part of that \$835 includes cash payment for food expenses, county officials say they cannot receive food stamps. So Oleta joined her new husband in harvesting food from dumpsters, a practice he started three years ago. Now they frequent dumpsters when their disability payment runs out.

"I was real hungry," says David, recalling his first taste of dumpster food. "I looked in the dumpster and there was this bread. It was something to eat. It's human nature. When you're hungry, you eat." Oleta adds, "I'm not ashamed to use it. When we need food, we need food. We have to feed our grandchildren when they visit. And we've given it to other poor people. I believe in helping other people."

David sadly shakes his head as Oleta stocks the freezer with cartons of imitation eggs found in a dumpster. He feels there is too much waste in America, and that food thrown in dumpsters should be distributed to the poor. "But it goes in the bins and gets smelly," says David. "They should organize something where people on welfare could distribute and get this food so people won't have to go in bins. But (the stores) are afraid it will hurt their business. They're worried about bucks."

Until they moved to North Sacramento several weeks ago, the couple foraged in dumpsters behind Placerville supermarkets. David talks bitterly about one store that mangles food so it can't be salvaged. "We do that to everything we throw in there so they don't get to it," says a store spokesman who remembers David. "We've even fenced it off, put up no trespassing signs and threatened people with jail."

The store spokesman says those measures were taken because the store fears liability if someone becomes ill from eating discarded food, not to protect profits. Other grocery store spokesmen express the same view. David and Oleta have never gotten sick. "You can tell by any mold and smell," says David. "And with cheese, if there's mold on it, you just cut it off."

Dangerous bacteria does not grow on fresh vegetables, but they can be contaminated when they come in contact with other spoiled food, said Ruth Braun, nursing director for the Sacramento County Health Department. She also cautioned that discarded eggs and meat can be dangerous. She said cooking food for at least 10 minutes would probably kill any dangerous organisms.

"People who eat out of dumpsters are fairly strong individuals," said Braun. "They're almost immune to it. The fear I have is that people newer to this might get sick." Many make their dumpsters runs early to avoid the heat of day that spoils food, and to beat competition. "It's best to come at night," says 14-year-old Tim, barely moving lips that hide four missing front teeth. The foul-smelling bin in

front of him is empty. It's late afternoon and others have beaten him to any food. A haversack made from rags falls from his shoulders, down to his distended stomach.

Tim looks nervous, afraid to talk about his daily trips to this dumpster on Del Paso Boulevard. Today, he'd hoped to find some bruised oranges to give to his grandmother. Other days, he searches for himself and his family. Tim darts into an alley, vanishing as quickly as he appeared.

Pride is strong among many of those who seek discarded food. They don't want to admit it. At one North Sacramento dumpster, a rickety man gets out of his car after it coughs to a stop. He proceeds to fill a box with discarded cookies and broccoli. When approached, he says he doesn't want the food—just the box—"because I'm moving."

While the community's poor may visit dumpsters, the plight of transients is worse because they may have greater difficulty obtaining food stamps.

Since late last year, counties have taken a tougher stand on residency requirements and proof of identification for food stamps, says Bill Nichols, spokesman for the Sacramento County food stamp program. In addition, a computer is now catching hobos and "rubber tramps"—the poor traveling by car—who try to get food stamps in every city where they stop, Nichols says.

Max complains about the tougher regulations while inspecting the dumpster behind a fast-food outlet on Freeport Boulevard that is a popular target for transients. Max was stocking up on food before catching a freight train in the nearby Western Pacific railyard.

Like numerous other transients, Max said it's become more difficult to get food stamps, and that they don't help that much. Most single people get from \$10 to a maximum of \$70 in stamps each month, according to Nichols.

"That doesn't last long," says Max. After the stamps are gone—if he can get them—and if there's no work, he scrounges in dumpsters. Max searches for discarded hamburgers thrown away because they got cold. Except for that, they're no different than the ones you buy he says.

The dumpster contains no burgers. But Max spots a rusty drum half full of grease. After fetching a discarded wine bottle, he immerses it through the scum floating on top. Black liquid bubbles into the bottle. "I've got some dried beans," he says, clutching the bottle near his freshly laundered Hawaiian shirt. He will pour it over the beans "because it makes them better," he says.

Max wants work to earn money so he can buy his favorite food—fresh lunchmeat. He wants no charity. Manual labor is about the only thing he's qualified to do. But those jobs are in short supply because of the economy. "No food, no work," says Max. "A man would be better off in a penitentiary. There's no women there, but at least you get fed."

On another day next to the tracks, Jim holds a box of sandwiches gleaned from a dumpster behind a catering firm. He waits for a southbound train to take him to Bakersfield where he hopes to find farm work. "They throw them away at the end of the day," he says of the caterer's sandwiches. "They're still good. I like the roast beef."

Jim also scoffs at food stamps. "How are you going to eat? If you buy \$60 worth of grub, you can use it up in two weeks. It's a jungle out * * *"

[From the Washington Post, Nov. 23, 1982]

AMERICA'S POOR OVERLOAD SOUP KITCHENS, SHELTERS

(By Margaret Engel)

Mayors and state health officials gathered here yesterday to describe the nation's dependence on soup kitchens and public shelters as local governments and charities try to house, heat and feed a growing number of homeless people.

At an emergency meeting of the U.S. Conference of Mayors regarding shelter for America's poor, mayors told of schools, recreation centers, trailers and churches being pressed into service as shelters for the coming winter. Newly unemployed Americans, combined with large numbers of former mental patients, were swelling the number of people needing help, they said. For the first time, in several cities, mayors report that charity kitchens are rationing food because of the crush of requests.

"I've been in public service since 1951 and this is the first time we've had a soup kitchen," Arthur Holland, mayor of Trenton, N.J., said of a new city-run facility. "More and more people are coming to the mayor's office asking for a place to stay

at night." Throughout the country, mayors report the same crisis stories; overwhelming increases in citizen requests for help in paying fuel bills, rent and food.

"The crisis is beyond the city's capacity to respond," said Audrey Rowe, director of social services for the District. Rowe said the city is encouraging citizens to donate food, blankets and space in their homes for the homeless by contacting the church-run Luther Place in downtown Washington.

Housing and food problems are causing cities to seek unusual means of help. In Kansas City, ministers are appealing to their congregations to share their homes with the needy, with the city offering to pay part of the homes' heating bills as an inducement.

A trailer, situated on land donated by Goodwill Industries, is set to open Dec. 1 to give emergency nighttime shelter in Newark. "Our city hospital said they will no longer be the dumping ground for people who need shelter," and Dennis Cherot, director of Newark health and welfare department.

In Denver, increased demand forced the Catholic archdiocese to open a former high school as a shelter for 400 people. "There's always been the capacity to handle the street people," said Armando Atencio, manager of Denver's social services. "But there's a new population. We're seeing people with master's degrees and doctoral degrees, but just out of luck." Food problems are universally severe, the mayors reported. "Two years ago, the Volunteers of America food bank in Everett [Wash.] handled 320 families in November," said Fontaine Fulghum, of the national VOA office. "This month, 1,300 families have signed up for food." Unemployment in Everett is 12 percent, Fulghum said.

Nancy Amidei, director of the Food Research Action Council, said, "As wonderful as the churches and charities are, traveling from food kitchen to soup line is no way to feed a family 21 meals a month." She urged the conference to press Congress to restore food stamp and Medicaid cuts. "If Franklin Delano Roosevelt could say he saw one-third of the nation ill-housed, ill-clothed and ill-fed, today, we see one-fifth of the nation with the same problems."

City officials across the country said they are trying to pass laws forbidding evictions and utility shut-offs during the winter, and are appealing to the airlines and wholesale food terminals for unused food and to hospitals for used blankets and linens. In Cleveland, the Mayor's Committee on Aging is working with the East Ohio Gas Co. to distribute wool and felt hats to the elderly in an attempt to ward off hypothermia, a chief killer during frigid temperatures.

Health officials reported that increases in suicides in Baltimore and infant deaths in Michigan are tied to the recession. Several health officials also warned that the nation can expect more fire deaths this winter, as those whose gas and electricity are already shut off depend on space heaters, stoves and candles for warmth. "Many people in our city actually froze to death [last winter]," said John Waller, director of public health in Detroit. "We will be seeing that, and many people starving to death" this winter.

While mayors and social workers stressed the new ways their cities are responding to the need for housing, most looked to Washington for help. "The stark reality is that the private resources are not sufficient," said Melanne Verveer, of the U.S. Catholic Conference. "We're looking for any support the lame duck Congress can give us to get through this winter."

Ernest Morial, mayor of New Orleans, who said every bed in the city's rescue missions and emergency shelters is full, noted, "We're not overlooking local initiatives but there are harsh days ahead and more unemployed than ever to handle." Added Tom Cooke, mayor of East Orange, N.J., "This is a cry to the federal government to help. We are in dire need to help the homeless people roaming our streets."

[From the Philadelphia Inquirer, Dec. 1, 1982]

DEFENSE DEPENDS ON HEALTH

What's good for growing children? A sound diet, including milk, fruit and vegetables. That goes without saying. What's good for a strong nation? Healthy children growing up to be healthy adults. That ought to go without saying, but the Reagan administration neither says it nor sees it. The Office of Management and Budget is reliably reported to have at the top of its hit list for the 1984 budget the child nutrition programs already severely hit by the administration's budgetary axe.

The Department of Agriculture's figures show the dimensions of the cutbacks. Thanks mainly to cuts in federal funding, plus increased prices for school lunches, reduced eligibility and complicated new forms that some parents don't understand,

the number of children participating in the school lunch program has dropped by more than three million; 2,700 schools have dropped out.

In Pennsylvania, according to a survey by the Food Research and Action Center, a nonprofit law firm, 275,827 students have been dropped from the school lunch program, 72,108 of them so poor that they had been getting their lunches free. Among the 44 states that responded to the survey, Pennsylvania has the dubious distinction of leading in the number dropped. In New Jersey, 84,735 students are off the school lunch rolls; in Delaware, 8,652. Nationwide, one-third of the children no longer getting school lunches come from low-income families. Those children, according to another USDA study, have depended on the school lunch program for one-third to one-half of their daily nutritional intake.

School lunches aren't all the administration has targeted. It also has set its sights on school breakfasts (already cut by 20 percent), the Special Supplemental Food Program for Women, Infants and Children (WIC) and that perennial target, food stamps. The USDA has even proposed eliminating meal subsidies for orphanages, homes for mentally retarded children and other residential care facilities for juveniles, for a savings of \$60.5 million. That added to the \$1 billion the administration has "saved" on school lunches would hardly make a ripple in the ocean of money, officially estimated at \$26 billion, that the administration wants to spend on the MX "dense pack" system. Why can't the administration figure out that defense also depends on healthy people?

Why does the United States have to relearn the lesson it learned more than a generation ago? Then, having discovered the large number of potential draftees who couldn't serve in the armed forces because of nutrition-related health problems, the federal government launched the school lunch program in 1946, and followed it up with other nutrition programs that virtually ended hunger and malnutrition in this richest of nations. The lame duck Congress, in the omnibus spending bill its leaders on both sides of the aisle are considering, would do well to resist further cuts in nutrition programs, and the new Congress meeting in January would do even better to restore them.

[From the Detroit (Mich.) Free Press, March 1982]

WHO ARE THE HUNGRY?

THOUSANDS OF DETROITERS WHO RELY ON SOUP KITCHENS AND FOOD HANDOUTS MAY GET ENOUGH CALORIES BUT NOT ADEQUATE NUTRITION

(By Jeremy Iggers)

When we think of hunger, we usually think of somewhere else. The images are of starving children with swollen bellies in Third World countries. That kind of hunger is seldom seen in Michigan, but hunger is a reality here nonetheless. It has many manifestations—increased infant mortality rates, lowered resistance to disease, physical weakness. Many of the thousands of Detroiters who rely on soup kitchens and food handouts for their daily sustenance may receive enough calories, but not adequate nutrition. Emergency food pantries take and give what they can get—and that may be frozen burritos one week and Hostess Twinkies the next.

How can there be hungry people in America? With so much public assistance available, why do thousands stand in bread lines every day? For the answers, we talked to government officials, private agencies and the hungry people themselves. These are their comments.

Who are the hungry?

"The type of people has changed," says George Covintree of the Southeastern Michigan Emergency Food Coalition (SEMFCO), an interfaith agency that coordinates organizations concerned with hunger. "It's no longer just the Guindon bag lady or the derelict or the drug addict who is sauntering in (to soup kitchens). Last year there was a great increase of senior citizens and young adults and young men. Now it's whole families who come in needing help, people whose unemployment has run out."

They are people like Betty Johnson of Detroit, an unemployment mother who waits in line at the Capuchin Soup Kitchen on Mt. Elliott for a basket of groceries to feed her family. Johnson receives too much Social Security to qualify for food stamps, but not enough to feed her family for a month. They are people like Herbert Kemp, who came to Detroit because he couldn't find work in Chicago. He eats

breakfast and lunch at the Capuchin Soup Kitchen, and supper at the City Rescue Mission, where he sleeps.

How many are hungry?

There are no precise statistics. The number may even vary with the time of the month; many food stamp recipients go hungry toward the end of the month, when their allotments run out. Still, there are figures that indicate the scope of the problem. In Macomb County, during the last quarter of 1981, the private Macomb County Emergency Food Co-ordinating Project made 1.5 million referrals to churches for emergency food. By the second quarter of 1982, that figure had jumped to more than four million referrals. Each referral is for emergency food for one person for one day.

In Wayne County, according to the U.S. Census, 328,809 people were living below the official poverty line in 1979. "The numbers are beginning to indicate to us that there are perhaps hundreds of thousands of people in this city who are undernourished or have nutrition problems stemming from their economic plight," says Barbara Parker, administrative assistant to Detroit Mayor Coleman Young.

Aren't there government programs designed to get food to the needy?

There are programs, but not everyone who is in need can qualify, and there are other problems.

The most common forms of public assistance are Aid to Families with Dependent Children (AFDC), General Assistance and food stamps. Eligibility for public assistance is based on a family's average income for three previous months. This can create a three-month gap during which a family without savings or other resources must fend for themselves.

According to the Michigan Department of Social Services Office of Food Programs, one of every nine Michigan residents receives food stamps, coupons issued by the U.S. Department of Agriculture; recipients use them to buy food. To qualify, a person must lack sufficient income to afford a minimally adequate diet. Eligibility requirements for the program have been tightened over the last few years and, despite the tougher economic times, many people have been dropped from the food stamp rolls.

Even workers who have been without income for a long period of time are in some cases ineligible for benefits. "In Pontiac," explains Covintree of SEMFCO, "a lot of the men who worked at the Pontiac plant several years ago bought a Pontiac car to help with the big campaign to buy what they build. Now they're unemployed, (but) because it's a nice, big, relatively new car, that Pontiac puts them over the limits for eligibility. In this market, to sell the car is not going to help." After they sell the assets that are keeping them from receiving benefits, people must wait before they can qualify for assistance. According to state Department of Social Services rules, a person must wait as much as a year after selling off assets before applying again, according to Shirley Powell of SEMFCO.

And many of the needy are reluctant to apply for public assistance. According to Professor John Herrick of MSU's School of Social Work, many of the "new poor" feel guilty about accepting food stamps.

But for those who receive food stamps and public assistance, an adequate diet is insured, right?

Not necessarily. Average food stamp benefits amount to 43 cents per person per meal, according to the USDA. The amount of food stamps a family gets is determined this way: first, a set amount for living expenses is subtracted from the family's total monthly income; what's left is theoretically the amount the family has to spend on food. If that amount is less than the family needs to feed itself adequately, as judged by the USDA's Thrifty Food Plan, then the difference is made up in food stamps.

In theory, this should guarantee every food stamp recipient a minimally adequate diet, but there are problems:

The Thrifty Food Plan diet is intended for emergency use only, nutritionally adequate on a short-term basis. Various nutritionists maintain that the Thrifty Food Plan diet must be reformulated if it is to be nutritionally adequate on a long-term basis.

The Reagan administration continues to base food stamp allotments on what the Thrifty Food Plan diet cost on average for the 12-month period that ended in June 1982; because of inflation, this allows a lag between the amount recipients get and the actual cost of such a diet.

The actual cost of living expenses is often much higher than the amount set by the government; money that in theory could be spent on food, in practice must be used for other things.

Many families may make poor choices about the foods they buy with their food stamps, although a recent study at the University of Washington shows that low-income families are as good as middle-class consumers at choosing nutritious foods.

What about food programs other than public assistance and food stamps?

Other federally supported programs that provide food to the poor include the Women, Infants and Children program, school lunch and child care programs, the Meals on Wheels and congregate dining programs for seniors, and commodities programs. According to Ann Eskridge, executive director of the Statewide Nutrition Commission, a state agency that monitors nutrition programs, none of these programs is able to reach all the people who need it. Since the administration tightened eligibility requirements for the school lunch program, participation by low-income families has dropped, creating concern about whether those children who no longer participate are receiving adequate nutrition.

Focus: HOPE, the Detroit civil rights organization, provides supplemental U.S. commodities to Wayne County seniors and to families with children age six or under. There is a waiting list for the seniors program. The program for families does not have an enrollment limit, and serves several thousand more individuals than it was designed to serve. Much of the food served at local soup kitchens comes from the Gleaners, a local nonprofit organization that collects surplus food from local businesses. (The companies receive a tax deduction in return.)

Are current federal programs adequate to meet the need?

"We feel very strongly about protecting the truly needy, making sure that the truly needy have food, with our food stamp programs and all of the various food programs that we administer," insists Sandra Schlicker of the USDA's Food and Nutrition Service in Alexandria, Va. "The programs we have are sufficient to do the job if the people take advantage of the programs that are available to them."

Many local experts involved in feeding Detroit's hungry disagree. Schlicker says needy people who aren't getting adequate nutrition either aren't making good food choices or are failing to take advantage of available programs. "There are a lot of people who are not receiving adequate nutrition . . . just because they do not eat properly. There are many wealthy people who don't eat properly, so they don't receive adequate nutrition. . . . It's what the people do with the food stamps, what they buy with them."

What do people do when they have no food and no money to buy food?

Some go hungry. Some beg. Some migrate from soup kitchen to soup kitchen. "Theoretically, the homeless man need not starve," observes the Rev. Robert Crilley of the Fort St. Presbyterian Church, which operates the Open Door, a food and clothing donation program on Fridays. "He can go here on Monday, there on Tuesday, and so forth. But a lot of those places require a lot of walking. It's quite a hike from the Open Door out to Mt. Elliott (the Capuchin Soup Kitchen)."

The so-called "new poor" have a much harder time of it than the traditional soup kitchen clientele, says Mr. Crilley. "Whereas the homeless man (knows how) to survive on the streets . . . the people who have been dumped from jobs to the kitchen lines are not aware of other places. When you ask, 'Where do you go on other days?' you get very often responses that there is no other place to go."

Can't the private sector—churches and other charities—take over the job of feeding the hungry?

No, says Powell, of SEMFCO. The need is too great. Though voluntary donations to the soup kitchens have increased as demand has risen, the soup kitchens and other private organizations simply aren't equipped to serve large numbers on a continuing basis. Typically, demand has tripled in the last year at many soup kitchens. Food pantries that used to be able to give needy families a three-day supply of food now ration out daily supplies. People who were once donating are now coming to the pantry for assistance, Powell said.

What can private citizens do to help feed the hungry?

You can donate cash or food, and you can volunteer time to work. You can call the Hunger Hotline at 964-4123 and 964-4124 between 9 a.m. and 5 p.m. weekdays. People there will refer you to the charitable organizations. The Hunger Hotline is operated by SEMFCO and sponsored by Channel 2.

Those two groups and Elias Brothers restaurants sponsor Operation Can-Do, which collects canned goods for distribution to some 16 area soup kitchens and food pantries. Beginning Thanksgiving Day, you can drop off cans of food at any Elias Brothers restaurant. The food will be distributed throughout the winter, as needed.

[From USA Today, Wednesday, Nov. 24, 1982]

OPINION—FEED THE HUNGRY, THEN GIVE THANKS

Maybe it is poor taste to mention real hunger the day before Thanksgiving, when the chief question in most American homes is whether to have pumpkin or mince pie. But the truth is that real hunger is showing its gaunt face across this country in a way not seen since the Great Depression. The hungry aren't just vagrants who have poured their lives into a bottle. Too many are men, women and children who are so new to being poor that they are embarrassed to ask for help.

This year, a Portland, Oreg., food bank has a 250 percent increase in calls for help. The Salvation Army is trying to meet 40 percent more requests for emergency food nationwide—60 percent in the nation's capital. A pediatrician at a Boston hospital says 18 percent of his tiny patients are malnourished. In Brooklyn, N.Y., a Catholic charity reports aiding 200 families a month instead of 50. In this land of plenty, when farm surpluses are bursting the seams of storehouses, how can that be? Well, there are more poor and less federal, state and local aid.

The problem is that 11.6 million Americans are unemployed, only half covered by job insurance. When fewer people have money, more people go hungry. The result: A Detroit public health officer who disclosed that many people froze to death there last year, predicts more will die of starvation this winter. That specter of hunger haunts many American communities.

The nation's mayors, meeting this week with charity groups in Washington, asked the federal government to provide \$500 million for emergency aid. They also sought more surplus food for soup kitchens to feed the hungry. Before asking "Big Brother" in Washington to act, the mayors should ask themselves how much local tax money is wasted on boondoggles and if they have proposed that local taxpayers contribute more for the poor. Volunteer charities should cut "administration" budgets to the bone and divert every possible dollar to feed the hungry. Congregations must make sure that enough of their Sunday collections go to the real ministry; helping the needy. People with money who applauded President Reagan's call for "volunteerism" should answer his call by giving more than ever before.

The federal government must do its part. Hunger, after all, is a national problem as well as a national disgrace. But no American who is still working—and still eating—should be comfortable at the Thanksgiving table when so many other Americans are going hungry.

QUOTELINES

"It is hard to stimulate interest in the world hunger problem. Nobody wants to be bombarded with guilt."

—Singer Kenny Rogers, World Hunger Media Awards

"When (people) give their children to welfare agencies . . . because they can't feed and clothe and house (them), something is very badly wrong in this country."

—Nancy Amidei, Food Research and Action Center

"City officials estimate on average that only 43 percent of the demand for emergency services is being met. People are homeless and hungry."

—W. T. Donahue, City Human Services Officials

"They are unemployed but they've worked for 20 years. They have a house. They want to keep up the mortgage payments. . . . To do that, they cut down on food."

—Christine Capito Burch, American Federation of State, County and Municipal Employees

"We are playing into Reagan's hands by increasing private feeding activity while the federal government is doing all it can to shirk its responsibility."

—Mark Patton, Conn. State Food Bank

"Churches would nearly have to triple or quadruple their funding to fill the void. It will just not be possible for churches to do this."

—The Rev. K. W. Jefferson, Office of Urban Ministries
United Methodist Church

[From the Washington Post, Wednesday, Dec. 29, 1982]

DETROIT'S SOUP KITCHENS CROWDED FOR HOLIDAYS—WITH "NEW POOR"

(By Bill Peterson)

Detroit—Robert and Charleatta Whorton, like hundreds of other people here, are spending the holiday season traveling from one soup kitchen to another trying to get enough to eat. "It's degrading to an extent," Whorton, a dignified-looking man of 35, said as he waited in a food line. "But it's something you have to do to survive. So you swallow a lot of pride."

There are eight soup kitchens in this once prosperous auto center, feeding an estimated 20,000 people each week. The soup kitchens are so overcrowded, and the hunger problems so great, that Mayor Coleman Young wants to open six more.

The reason is clear to Robert Whorton, an out-of-work welder facing eviction from his apartment on Jan. 8. With no regular income and his unemployment benefits expired, he and his wife have sent their two children to live with relatives because they can no longer support them. "There are really a lot of people with no place to stay and no place to eat," he said.

This day he and his wife were at the Capuchin Soup Kitchen, set up by Franciscan monks 53 years ago at the beginning of the Great Depression. The scene around the Whortons was like the 1930's. Several hundred people were crowded elbow-to-elbow into the small room. Some were the same kind of society outcasts, unkempt winos and ragged panhandlers, who have made up the soup kitchen's clientele for years. But many were the "New Poor," neatly dressed men and women in their 30s and early 40s, jobless and hungry. Many had children at their sides.

They lined up along the walls of the room and spilled into the street, waiting for a wholesome looking meal of spaghetti, bread and vegetables and a sack of food to take home. When one chair emptied, two people were ready to fill it.

Each had a hard-luck story.

Some said their unemployment benefits had run out and they had no place else to turn. Others said the places they work operate only two or three days a week and they are unable to support their families on their wages. Others said they'd been cut from various welfare programs, and still others said they simply couldn't make ends meet with welfare payments and food stamps. One man of 28 said he hadn't been able to find a job for three years and sleeps each night in a different abandoned building. "I'm hungry, so I come here," he said.

A 36-year-old mother of five said she worked at a nearby plant that manufactured hospital garments until it shut down last June. "I used to hear about the monks' place a long time ago, but I didn't ever think I'd have to come here," she said. She said the \$204 unemployment check she receives every two weeks "doesn't leave me money to buy food after I pay all the bills . . . It gets very stressful. It just worries me all the time. My situation is going downhill every week, and I just wonder where I'll be in six months."

The Capuchin Soup Kitchen is one of the largest and oldest in the Midwest. In 1979 it fed 121,864 people. The 1982 figure will be about 500,000, according to Executive Director Lewis Hickson. The clientele also has changed dramatically, he said. "The average age used to be 55. Today it's more like 30 because of the economy and layoffs."

Other soup kitchens and food pantries in the Detroit area report similar increases as the recession deepens and the impact of cuts in federal food programs widens. The Salvation Army's Harbor Light Center, for example, fed from 200 to 300 people each night a year ago. Now the range is 300 to 500. At nearby Cass Methodist Church, which feeds 700 people each week, the Rev. Ed Rowe said, "For every person we feed, we turn one away because we don't have any food to give them."

Michigan's economy, so long dominated by the sagging auto industry, is so bad that Gov. William G. Milliken recently declared that a "human emergency" exists in the state, and ordered an unprecedented 40-point plan to help provide food and shelter to the needy this winter. The crisis is particularly acute in Detroit, where on the same day that Milliken announced his program a man wearing only a T-shirt and pants was found dead in a doghouse.

According to the mayor's office, 25 percent of Detroit's work force is unemployed, the same percentage as in 1933. One in every three residents is on some form of public assistance, a 20 percent increase in three months. One in five families has an income below the federal poverty line, and 6,000 people are homeless.

Few places are in such bad shape, but emergency food programs across the country report dramatic increases in hunger problems, even in cities thought immune

from the recession. "I've been in public service since 1951, and this is the first time we've had a soup kitchen," said Trenton Mayor Arthur Holland.

A relatively unpublishized "food bank movement," financed through private donations, has taken root in churches, synagogues and social service agencies in most major metropolitan areas, including Washington, D.C. In Tucson, the Rev. Charles Woods, director of the Community Food Bank, said that each day his group supplies emergency food boxes to 150 to 180 needy families, a 55 percent increase over a year ago. The food bank, supported by the United Way and local government, will distribute 2 million pounds of food this year, he said.

In Salt Lake City, Steve Johnson, director of Utahans Against Hunger, said his caseload has more than doubled this year. "We're seeing a new type of poor here," he said. "They aren't your normal, streetwise poor. A lot of them come from the industrial Midwest and the Northeast. They hear there is work out here. So they load everything up in the back of the car or pickup and head West. They get here and there's no work. Their car breaks down and they run out of money."

In Houston, Rina Rosenberg of the Interfaith Hunger Coalition said demand for emergency food from her group, which operates through 62 food pantries, increased 80 percent during the first eight months of the year, and last month a record 2,356 families received food.

In St. Louis, Bill Donovan, director of the Food Crisis Network, which works through 85 churches and social service agencies, said, "I grew up in the Depression. This is beginning to look depressively like 1929 to me."

Most of the food banks report impressive increases in private donations, but many have trouble meeting needs and have placed limits on how often families can receive food. High unemployment is the most frequently cited reason for the upsurge in need.

But cutbacks in federal food programs also played a key role, officials say. In fiscal 1982, \$1.53 billion was cut from the food stamp program, making 875,000 people ineligible for assistance. Cuts in various nutrition programs, including school lunches, totaled \$1.39 billion. "The real Christmas present Congress and Reagan gave to poor people this year is they won't be able to eat," said Nancy Amidei, director of the Food Research and Action Center, an anti-hunger advocacy group.

Many of the agencies that manage food programs also were hit by other budget cuts. Many had, for example, bolstered their volunteer staffs with workers paid for with Comprehensive Employment and Training Act (CETA) and Community Service Administration funds. St. Louis' Hunger Hotline, which received 14,000 requests for emergency food last year, lost 20 workers when these programs were cut, according to director Otis Woodard.

When federal drug and alcohol abuse treatment funds were placed in a block grant program, the share going to the Salvation Army's Harbor Light Center in Detroit dropped 11 percent at a time when alcohol and drug problems were on the increase, officials said. "The safety net just isn't there," said Capt. John C. MacDonald, administrator of the center. "Our government money is being gradually whittled away. We're stretched beyond our resources."

The Salvation Army operates its soup kitchens in good times and bad. Churches and other groups have opened soup kitchens to respond to the immediate need. Donald Davis, 40, said he believes they are a godsend. "If it weren't for the churches, a lot of people would be starving," he said as he visited one Detroit soup kitchen earlier this month.

A father of three, he said he hasn't had a regular job since 1979, when he was laid off as an \$8.59-an-hour auto parts production worker. He had been getting food stamps and Medicaid benefits, he said, but lost them when he received a workman's compensation grant. Now he and his wife have applied for Aid to Families with Dependent Children, but in Michigan there is a 45-day waiting period for such benefits.

He said he is three months behind in his rent and that other bills are stacking up. His only income comes from using his car to ferry neighbors around the city. "I used to say I wouldn't work for under \$8 an hour," he said. "Now I'd take anything but nothing is open."

[From the United Methodist Reporter, Jan. 28, 1983]

OKLAHOMA CHURCHES GRAPPLE WITH POVERTY, HUNGER

STATEWIDE INTERFAITH GROUP CALLS FOR MORE INTENSE LOBBYING PRESSURE BY CHRISTIANS

[Editor's note: This is the latest in a series of news features the Reporter staff is developing regarding special efforts by United Methodists and other Christians to confront severe economic hardships caused by changes in government policy and the economic downturn. Readers are encouraged to suggest other stories which are sufficiently unique to justify reporting on a national basis.]

(By M. Garlinda Burton)

Oklahoma City—Throughout Oklahoma, hunger chisels tired lines into the faces of people like Josephine Carter.

Hunger and malnutrition are so widespread here that 13.4 percent of the population can't purchase an adequate diet. Ten percent of the population have been rated "high nutrition risks."

Given the facts of life—and near-death—the Oklahoma Conference of Churches, made up of 18 major denominations, decided to act. It sponsored a state-wide study, believed to be unprecedented among state and regional interfaith bodies, to determine just how severe hunger and poverty are in Oklahoma, what churches are doing about it, and what they can do beyond emergency relief.

LOBBYING INTENDED

The Rev. Max Glenn, executive director of the conference of churches, said the report on hunger in 1982 was designed in part to mobilize churches and other agencies to provide more emergency food and assistance. More importantly, he said, the conference of churches has tried to prompt the religious community to lobby and petition state legislators to provide more assistance for hungry people.

"We are piloting a project in the 10 poorest counties in the state," he told the Reporter. "We are pulling together church representatives and social service staff people into cooperatives. Each co-op would provide emergency aid, referral services and resources for needy people in each community throughout the state."

"We are asking \$16,000 from each of our member churches nationally for the first year, and we'll reduce our requests for national assistance as local conferences and judicatories pick up the programs," Mr. Glenn said.

In general, he said, the Oklahoma churches "are doing a remarkable job" in feeding hungry people. In 1982 the state's churches provided some \$8 million in emergency food aid. Demands on church food closets and emergency programs in 1982 increased 136 percent over the previous year, Mr. Glenn said. "There was an enormous increase in outreach. Many of the churches in rural areas were just about drained," he added.

But besides emergency aid, Mr. Glenn said he hopes Oklahoma church people will become more active lobbyists for increased government assistance for the poor. "It is totally unrealistic to expect churches to provide for the total public welfare," he said. The conference of churches' report indicated that if churches attempted to make up the projected loss of \$92 million in federal aid to the state's indigent people in 1983, it would require an additional \$20,000 increase from each of the 4,500 churches in the state.

"In the churches we have enough numbers to make our legislators stand up and take notice. While we increase emergency aid in our local communities, I hope that Christians will go beyond making nice-sounding statements in our churches and conferences and write letters to state representatives and to the President if we have to be asking them to do their job."

The bleak picture in Oklahoma is only a dark reflection of a national crisis, according to Nancy Amidei, director of the Food Research and Action Center (FRAC) based in Washington. "Officially there are 32 million people in the United States living below the poverty level (\$7,412 annually for a family of four) and another 12 million living barely above the line," she said. "The churches are really being hit hard with demands and they are doing a great job. But it's still not enough to offset the federal budget cuts. "Food stamps reach only about 20 million people," she said. "For those who have absolutely no other income, food stamps provide, at most, only 70 cents per person per meal. The average is 45 cents per person per meal."

"GETTING IT" FROM BOTH SIDES

"So churches are getting it from all sides," Ms. Amidei told the Reporter. "At the first of the month they are helping people who have no food stamps and by the end of the month they also are giving food to those whose food stamps have run out and next month's haven't arrived."

She hailed the conference of churches' report as a very necessary "next step" in affecting public policy on behalf of the poor. "To my knowledge it's the only state report by a church body. Equipped with that kind of knowledge, churches can affect policy at all levels—not just by giving aid but by telling legislators that if they're not concerned with feeding starving people, they can't represent the churches," she added. Some Oklahomans say the poor and hungry reflect both old problems and new dilemmas in their state. The recent migration of thousands from northern cities in search of jobs and layoffs of native Oklahomans have devastated urban areas. The Rev. Kenneth Howard of the United Methodist Urban Ministries in Tulsa said the number of people needing emergency food and other aid has tripled since he became the head of the ministry three years ago.

"We help about 70 families a day now. We fed 5,000 people in 1982," he said. "Most of our people don't qualify for any kind of aid because they are sleeping in tents, on the streets, in cars and abandoned buildings. You have to have an address in order to get food stamps, and many of them have no money and no place to stay. They have only the clothes on their backs." The Tulsa Ministry is supported entirely by United Methodists at the local church district and conference levels.

The UM-supported Skyline Urban Ministries in Oklahoma City has seen a 99 percent increase in people needing assistance in the last year, said director the Rev. Theo "Doc" Benson. The program operates five food pantries in different sections of the city. For many other Oklahomans, especially in rural areas, the poverty and despair have been facts of life for several generations. Ethnic minorities have had special hardships, said David Adair of United Methodism's Oklahoma Indian Missionary Conference.

Mr. Adair said, "This report shows that many counties being hit the hardest have large Indian populations. The unemployment rate for our people is traditionally very high. I'm from Adair County (second highest in poverty according to the report) and it's been like that since the 1930's. The Great Depression hit and just carried on."

[From the Washington Post, Mar. 1, 1983]

MAYOR OF CLEVELAND BESECHES U.S. FOR ADDITIONAL FOOD AID

(By Margaret Engel)

Cleveland, Feb. 28—A House subcommittee attempting to measure the extent of America's hunger came to Cleveland today and heard the city's Republican mayor plead for the federal government to turn food in government warehouses over to the city's 105,700 unemployed. "There is no community in the nation that has done more to help itself," said Mayor George Voinovich, who said 8½ tons of vegetables were raised by Comprehensive Education and Training Act (CETA) workers in 180 city gardens in vacant lots last year.

"But we have reached the end," he said. We cannot see cutbacks in federal nutrition programs that will knock the legs from under this community." He asked that the government's butter and cheese giveaways be expanded to include stockpiled stores of 16 additional commodities, such as rice, corn, oats and wheat.

The situation is so desperate in Cleveland that farmers from Grand Forks, N.D., promised this week to send 55,000 pounds of elbow macaroni to the city in the spring. Throughout the city—where unemployment climbed to 15 percent as many major manufacturers permanently laid off workers—churches and charities have opened more than two dozen new soup kitchens.

The subcommittee arrived at a sensitive time—the end of the month, when food stamp benefits have been exhausted and four days before Social Security checks arrive. Seven House members, all Democrats except for Rep. Bill Emerson of Missouri, heard church, labor and welfare officials state that April 1 would bring a new food crisis as the winter prohibitions against utility shutoffs end in many states.

"We'll have major shutoffs of utilities in April and people will struggle for months to find money to get utilities back for winter," said John Mattingly of the Inter-church Council, a group of 700 Protestant churches in Cleveland. He noted

that 151,000 people in northern Ohio are scheduled for utility shutoffs. "That money will come from their diet," he said.

A parade of witnesses, many of whom included prayers in their testimony, filled the downtown church where Rep. Leon E. Panetta (D. Calif.) termed their reports "a national shame." The Rev. Robert Begun, director of the Hunger Service Center of the Catholic diocese of Cleveland, said Clevelanders routinely wait two hours for free government cheese and butter.

The stress of waiting in line for food may have contributed to the death of Fred Barker, 67, who died Thursday of a heart attack while waiting in a Salvation Army cheese line on Cleveland's east side. "He was in need of food," Don MacMurdo of the Salvation Army said of Barker. "He died at the end of a very long line."

At Metro General Hospital, a public facility, there were 619 low birth-weight babies in 1982, an increase of 109 from 1981, reported Christine Shenk, a nurse midwife at the hospital.

Requests for emergency formula, given to infants judged to be inadequately nourished, increased 162 percent in December 1982, compared with a similar period in 1980, Shenk said. "We know that low birth-weight babies risk having a lower intelligence, three times more birth defects and retardation," she said. "We'll all be paying the price later on."

Euclid, a middle class suburb of 100,000 with 20 percent unemployment, opened its first food distribution center this year. Government butter and cheese had been distributed through churches to avoid the public stigma of receiving free food. "Our older residents in some instances have resorted to shoplifting to keep from going hungry," said Walter Hoag, director of the city's food programs. "God help us for letting this happen."

Demand for food is so great at St. Patrick's Church that 100 people wait in its basement while another 100 eat a hot meal upstairs. Mark Brauer, director of the church seating, said the demand requires him to give individuals only one-quarter of the government's five-pound block of cheese.

The city's Inter-church Council, which runs 16 food distribution centers, opened three sites in November to provide hot meals on the last six days of the month. Because of the 2,500-person waiting list for the women, infant and children's (WIC) nutrition program in Cuyahoga County, the centers will begin stocking infant formula next month.

FOOD AID FOR DETROIT

Detroit—Sixty-eight CARE packages from Frankfurt, West Germany, have cleared Customs and are ready for distribution to the poor and hungry of Detroit, officials said. The packages contain 1,300 pounds of food, vitamins and clothing.

Mr. DONNELLY. Thank you very much.

Leon Ginsberg, from the American Public Welfare Association. Without objection, we will insert your prepared remarks in the record.

STATEMENT OF DR. LEON H. GINSBERG, COMMISSIONER, WEST VIRGINIA DEPARTMENT OF WELFARE AND PRESIDENT, AMERICAN PUBLIC WELFARE ASSOCIATION

Dr. GINSBERG. Thank you very much, Mr. Chairman.

I am commissioner of welfare in West Virginia, and the president of the American Public Welfare Association, which represents the State and local human services agencies throughout the United States, as well as 7,000 individual members. Most of us are responsible for the administration and delivery of welfare benefits and services, including AFDC and food stamps to the poor.

I have a prepared statement that I have submitted to the task force, and I just want to touch on the highlights in my oral remarks.

The message we want to convey today is simple: We don't think that AFDC and food stamp recipients should pay any higher price for economic recovery than they already have during the past 2

years of budget cutting. And we don't think that State and local governments, through their own welfare programs, such as general assistance, should be forced to compensate for a national economic policy that has been indifferent to unemployment and poverty.

I represent a State that has the highest unemployment in the United States at this time. And I guess our conditions are best represented by the fact that we have distributed 6 million pounds of surplus cheese and butter in West Virginia to people who are generally too proud to stand in line for food.

I would echo some of Ms. Amidei's comments before.

Let me give you a quick summary of some of our reactions to the administration's proposals. First, of those pertaining to work, the most controversial proposal is that there be mandatory workfare and job search for AFDC and food stamp recipients.

We oppose this in the American Public Welfare Association. Again, I would tell you that our State has one of the more successful workfare programs. It has been featured in the Wall Street Journal and People magazine. Ms. McMahon referred to it this morning, and she and I have been in lots of communication about it.

On the other hand, I still believe, and our association believes that the States should have the option to institute workfare, job search, and other techniques to help recipients move into gainful employment. We don't know what works best and the same things don't work best everywhere.

We, for example, in West Virginia, would be happy to reinstitute the old title V program from the OEO days of the 1960's and 1970's, it worked well for us. It won't work well everywhere. We think that this country is very diverse, and should have options.

In the area of work incentives, the administration proposes to replace the 18-percent earnings disregard in the food stamp program with a flat work expense deduction of \$75 a month, which would be prorated for part-time workers.

We prefer percentage disregards, because actual dollar amounts are harder to administer. Also percentages are more sensitive to the work experience increases that come about because of inflation and increased work hours and earnings.

There is also a proposal to cutoff families who are broken up because the parents are looking for jobs in places where there might be jobs. We opposed that one, too. We think that when people leave home, they do so to support their families, and they should not be penalized.

There is also a proposal to redefine the AFDC unit to include any parents and all minor related children. We supported this last year, but we are not sure we will this year and will await the administration's actual legislation before deciding.

There is also a proposal in food stamps to define the household as all people living at the same address. We have reservations about that, too.

We also think that the proration of shelter and utility costs in AFDC—another administration proposal—is something that we ought to look at very carefully before doing it.

Our basic concern is that these relentless changes over the years—the past 2 and 3 years—have led to great difficulties in ad-

ministering programs, including increased errors. We think that things ought to be left alone for a while, so that we can find out what things work best and can administer our programs with some intelligence. Error rates go up when we don't know what we are doing, and our staffs are confused.

In the eligibility area, there is another proposal to cut AFDC benefits to families when the youngest child reaches age 16. We think this is a mistake because many of these families consist of mothers who have had very little attachment to the labor force. And many have serious health problems, again, along the lines that Ms. Amidei described. They need job preparation and training, if they are employable; and if they are not, they need another source of aid, not the termination of AFDC.

There are two other proposals in food stamps which bear mentioning, one would provide automatic eligibility for AFDC recipients, and the other would give AFDC families standardized benefits. We, generally, support the idea of automatic food stamp eligibility for AFDC recipients. We have reservations to standardized benefits, because we think that they could be administered in a way that would penalize AFDC families.

I will conclude my statement by discussing some of the administration's proposals to simplify some of the income deductions in food stamps, and to make the States pay the full costs of erroneous benefits above 3 percent.

We favor streamlining income deductions, but we have a very hard time supporting the elimination of the shelter deduction in the manner recommended by the administration, namely, wiping out the deduction for excess shelter cost and providing only a small upward adjustment in the standard deduction to compensate for the loss. Many households in the Midwestern and Northeastern States, where fuel and housing costs are higher would be severely and unfairly disadvantaged by this. There must be a better way to simplify the deductions.

And with regard to the error tolerance, I am sure you know that those of us who administer State and local programs have great difficulty with the error tolerance issues. This proposal, we think, is just a back door attempt to make States share in the cost of food stamp benefits. And as I listened to the presentation by the Department of Agriculture, I was unfortunately confirmed in my opinion about that. If we are supposed to pay, there must be more direct and honest ways to go about it. If not, then the current, very tough error rate sanctions that were authorized by Congress just last year, which require the States to achieve a 5-percent tolerance level, should be maintained. That provides enough impetus for us to do the best we can to reduce errors.

In conclusion, please do what you can to keep these programs from being arbitrarily changed again. Every time we find out how to administer the programs and get the word to the field, the programs change again. This is a great problem for all of us who administer the programs and those who are on the line with our clients. Our clients suffer, our States suffer, and it is needless for any of that suffering to go on in these efforts to help people preserve their lives, their health in these difficult times.

Thank you, again, for allowing me to participate in these hearings, Mr. Chairman. I will be glad to discuss these issues further, if you see fit.

[Testimony resumes on p. 146.]

[The prepared statement of Dr. Ginsberg follows:]

PREPARED STATEMENT OF LEON H. GINSBERG

My name is Leon Ginsberg, and I am commissioner of the West Virginia Department of Welfare. I am also President of the Board of Directors of the American Public Welfare Association, on whose behalf I am testifying here today.

We thank you for this opportunity to present our tentative views on the administration's FY 84 budget proposals for aid to families with dependent children (AFDC) and food stamps. Our National Councils of State and Local Public Welfare Administrators will be meeting the week after next to construct more detailed responses to the administration's plans than I am able to provide today, and they will share their views with you and your colleagues at that time. As part of this effort, the state administrators will also be developing some alternative FY 84 proposals. A preliminary list of these alternatives is attached to my testimony. We hope that it will be possible to transmit a final set of such recommendations by the end of the month.

The American Public Welfare Association represents the nation's state and local human service agencies, and some 7,000 individual members, most of whom have responsibility for administering and delivering welfare benefits and services--including AFDC and food stamps--to the poor. It was an economic crisis much like the one we face today that brought the Association into being more than 50 years ago. State, local, and federal welfare officials discovered they shared a common purpose in trying, under the dire circumstances of the time, to provide jobs for those who could work, and food, clothing, and shelter for those who either could not or, if they did work, could not earn enough on which to live. It was a courageous response, and unfortunate only in the sense that it took an economic tragedy

of unprecedented proportions to make us realize our moral responsibility as a nation to alleviate the suffering of the poor.

Much has transpired in the intervening years, both good and bad. The public welfare programs spawned in that era have become the foundation of a nationwide welfare system which has eradicated the worst consequences of economic insecurity. Admittedly, it is far from perfect. Inconsistent and conflicting programs, unnecessary variations among the states, inequitable treatment of different groups of people, overly complex rules--these things still plague it, and we can only hope that time and effort will help us overcome them. Yet, the welfare system today works for millions of people, and the policymakers who shape it and we who administer it must do everything in our power to see that it keeps working.

Now, perhaps more than anytime since the Great Depression, our welfare programs are needed. With some 11 million people out of work and many of them exhausting unemployment benefits every day, programs such as aid to families with dependent children and food stamps become the last defense against utter destitution for families and individuals, many of whom have never known poverty before. Preliminary findings of a survey we have done of the states on the recession's impact on income and medical assistance show clearly that these programs, as well as programs financed solely by states and localities, are being called upon increasingly to respond to the need:

- o Even with the substantial budget cuts in 1981 and 1982, AFDC costs this year are expected to rise at least four percent over last year's expenditures in the 30 states that have so far responded to the survey. While spending for single-parent

families is projected to increase two percent, the cost of providing benefits to two-parent families where the primary earner is unemployed--an option which fewer than half the states now use--will grow by an estimated 20 percent, as more and more families seek welfare after their unemployment compensation runs out. The caseload of intact families with an unemployed breadwinner has swelled by more than 25 percent since December 1980.

Food stamp benefits--which have been cut even more deeply than AFDC the past two years--are anticipated this year to cost 12 percent more than they did in 1981 among the responding states. Beginning in about June of last year, the food stamp caseload for most of these states started to grow and ended calendar year 1982 three percent larger than it was in December 1980. Growth was twice as high among households not receiving cash assistance such as AFDC and supplemental security income, as it was among those that do receive it.

Finally, general assistance costs for the 21 states reporting on this program have grown by almost 20 percent since FY 81. And the number of general assistance cases in these states is up by a fourth over the December 1980 caseload. At least some of this growth can be attributed to the reductions that have been made in federal programs like AFDC. That is, needy families and individuals are seeking out state and local general assistance because they no longer qualify under the stricter eligibility criteria now operating in federally financed programs.

What these statistics say, is that the need to reduce the federal deficit can no longer be used to argue for further erosion of irreplaceable welfare programs. AFDC and food stamp recipients--whether part of the so-called new poor or the old--must not be made to pay any higher price for economic recovery than they already have the past two years. Nor should states and localities--most under serious financial strain themselves--be forced, through their own welfare programs, to compensate for a national economic policy that has largely been indifferent to unemployment and the misery we call poverty. Indeed, as Congress prepares to appropriate sorely needed funds for job creation and humanitarian aid, nothing could be more perverse than simultaneously cutting AFDC and food stamps, two of the established programs on which needy families most depend for their sustenance.

It distresses those of us who work in public welfare to be confronted once again this year with proposals calling for substantial budget reductions in AFDC and food stamps. Many of the administration's recommendations have already been rejected by Congress the last two years for a variety of reasons. Others, although new, suffer from liabilities, not the least being a further paring away of benefits to low-income people. Although there are a few proposals which may merit serious examination as improvements in social policy, most of the administration's suggested changes would cause more harm than good.

PROPOSALS THAT AFFECT WORK

I would like to begin our specific comments on the administration's FY 84 AFDC and food stamp budget requests by discussing those proposals that affect the work behavior of welfare recipients. The past couple of years, no area has attracted as much attention and concern as the interaction

between work and welfare. The administration has pushed aggressively to have employable recipients removed from the welfare rolls, or at least engaged in work-type activities while receiving public aid. By contrast, state and local public welfare officials have urged caution.

Perhaps the most controversial proposal the administration makes this year is mandatory community work experience, otherwise known as workfare, for employable AFDC and food stamp recipients--a proposal which has been consistently turned aside by Congress. At present, states have the option to establish workfare programs, as well as other work activities such as job search, training, wage supplementation and the like. Congress has given the states this flexibility for two basic reasons: 1) to allow states to tailor work programs to the unique needs of their welfare populations and economic circumstances, and 2) to learn what work activities are most effective for what groups of people. Mandatory workfare would fly in the face of both.

My department operates a workfare program for AFDC recipients. So far it is working well, and we have hope that it will become an important vehicle through which some dependent adults can gain a foothold in the labor market, especially if the economy improves. Yet, we are only one state, and our experience is as yet too limited for drawing firm conclusions about the usefulness of workfare. I am certain that most other states running such programs are in the same situation. There are simply too many questions, as yet unanswered, about the cost of operating workfare and the value of the work experience gained by participants to say definitively what this approach can accomplish in the way of employability and welfare savings.

In addition, it is important to keep in mind that workfare is only one among a number of approaches to the employment problems faced by welfare recipients. Training, job search, job placement, supported work, wage subsidization, basic education, are all techniques which merit thorough testing alongside workfare.

Until these tests are done and our questions about what techniques work best for whom are satisfactorily answered, acceptance of mandatory workfare will amount to little more than a leap of faith and high costs to the public with little benefit in return.

Obviously, the same can be said for mandatory job search by AFDC and food stamp applicants, which the administration is also proposing. Job search can be a cost-effective technique for some people--particularly those with prior work experience--and for areas where a sufficient number of jobs exist. But it will probably not work for everyone, and can become an excessive cost to local welfare agencies, applicants, and employers if there are no jobs to be found. The current state option to require job search, granted last year by Congress, is the most sensible policy and should be preserved.

The incentive to work has been a key target of administration reforms. The amount of earnings disregarded in AFDC for work expenses and incentives has been greatly limited, and the food stamp earnings disregard has been reduced from 20 percent to 18 percent. For FY 84 the administration wants Congress to replace the 18 percent disregard in food stamps with a flat work expense deduction of \$75 a month for households with full-time workers and a smaller amount for those with only part-time workers. It argues that this change would simplify benefit determination and bring

food stamps more into line with AFDC, which already uses a \$75 work expense disregard.

We seriously doubt this proposal will accomplish what the administration intends; instead, it is more likely to result in smaller benefits for households with workers, that is, the working poor. Our criticisms are threefold. First, we fail to see how a work expense deduction based on a flat dollar amount can be a simplification. Currently, gross earnings are simply multiplied by 18 percent to obtain the amount of the earnings disregard. The administration's scheme would require workers to regularly verify the number of hours worked to determine whether to prorate the \$75 deduction for part-time workers, a far more involved procedure. Second, the proposal does not really comport with AFDC policy. Every worker in AFDC families now receives a work expense deduction. Under the administration's plan, there would be only one deduction allowed per food stamp household, regardless of how many members work. And third, we doubt that, even if each employed food stamp recipient received an earnings disregard, the amount of \$75 would be adequate, or would remain adequate for long. The value of a percentage deduction is that it automatically adjusts for inflation in the costs of working as well as the higher expenses associated with increased work hours and higher earnings. State and local welfare officials have long advocated percentage disregards as easier to administer and more responsive to recipients' needs, and we would hope, that, rather than make food stamps more like AFDC, Congress would consider the reverse: bring the AFDC work expense disregard more into line with the food stamp policy.

Finally, the administration would like to bar AFDC to families when a parent leaves home to look for or maintain employment. A similar proposal was adopted last year, denying assistance to families if a parent is absent solely due to military service. We think we understand the administration's motive: to make it difficult for a parent with a job in another state or locality either to send money back to the AFDC family unbeknownst to the welfare agency or, on the other hand, to avoid financial responsibility for his or her children altogether. These are problems, but we question whether the proposal can solve them. Since the proposal applies to job search, as well as actual employment, the new policy would tend to discourage parents from looking for work other than in their own community. Moreover, in today's troubled economy many low-income mothers and fathers are temporarily leaving home to find employment, or if they happen to be so lucky, actually take a job elsewhere. This is more economical and less risky than moving the whole family. What possible good can come of denying AFDC under these circumstances? We suspect very little. There is also a practical difficulty with the proposal. Even if some parents do leave home for less than above-board reasons, how is a public welfare worker to know this? Aside from blatant cases of abuse, the determination of good or bad reasons would largely amount to guesswork. Needless to say, in a program closely safeguarded by due process and equal protection standards, there is little room for guesswork of this kind.

PROPOSALS THAT AFFECT ELIGIBILITY

I would like to now turn to a series of proposals that affect who would be and who would not be included in AFDC and food stamp households. For the past two years, the administration has sought to have the income of more people counted in determining eligibility and benefits, preferring

to deny eligibility to those believed capable of supporting themselves. Some of the initiatives that have been enacted, such as counting the income of step-parents in AFDC, are a proper step toward more equitable treatment of families in similar circumstances. Others--for example, denying aid to older children still in high school--seem shortsighted and out of touch with the realities of our society. This year's budget package offers a mixed bag as well, although we are inclined to believe that most of the proposals it contains would not necessarily be improvements.

Two of the proposals would change the basic definition of an eligible unit in AFDC and food stamps. The one affecting AFDC would require counting in the unit any parents and all minor siblings (except SSI recipients) living with a child applying for or receiving aid. The food stamp provision would mandate that all persons living at the same address--except elderly individuals who purchase and prepare food separately or persons who would otherwise be disqualified by the actions of others--be considered as one household.

Last year, state and local welfare administrators supported the redefinition of an AFDC family, mainly because it would be fairer to all recipients by more accurately reflecting a family's true financial circumstances. Currently, a parent or caretaker can exclude from the AFDC unit children who have other income, say, from child support or social security dependents' benefits, in order to increase the family's total combined income, that is AFDC plus these other income sources. Yet, a family of the same size and similar circumstances, with no such outside income, would receive only the AFDC benefit and have, in effect, disproportionately less income. Under last year's proposal, both the needs and the income of the children who had been excluded from the unit would be counted, resulting in the same total

income as the family with no outside income. We do understand, however, that the FY 84 budget proposal in this area differs significantly from last year's. We are concerned about the impact the new proposal may have on families with three generations present in the home and on relatives other than parents who are caring for AFDC children, thereby often avoiding more costly foster care. State and local administrators will carefully examine the legislative change offered by the administration before deciding whether to lend their support to the proposal this year.

The situation with the food stamp household definition is somewhat different. The current law is similar to what the administration proposes to do in AFDC. Parents, children, and adult siblings living together are deemed a single household, on the assumption that, since they are closely related, they more likely than not purchase and prepare food together. All other persons must demonstrate that they purchase and prepare food separately, or else they, too, are counted as one household. The administration wants to take the household definition a step further by no longer allowing unrelated persons to apply separately under any circumstance.

Although the proposal would seem to simplify the determination of eligibility and benefits, and would make it practically impossible for people living under the same roof to receive more food stamps than they are due, it also has clear flaws. It presumes that unrelated persons who live together also buy and eat food together, yet no evidence is offered to substantiate this presumption enough that it could reliably serve as the basis for changing current policy. While we believe a successful argument can be made for assuming that related people do or should share food, the fact is that unrelated people have a more tenuous social, and no real legal,

obligation to one another, and it may be overstepping the boundaries of federal policy to imply otherwise, as the proposed definition does. This shortcoming may be of particular impact currently, since it appears that a growing number of poor families and individuals are moving in with others because they cannot afford to live entirely on their own. Perhaps, the most sensible thing Congress could do would be to let the current household definition--which was established only last year--stand for a while, so that we have a chance to find out how well it works before moving ahead with major changes in it.

Akin to these definitional changes is the proposal to mandate prorating shelter and utility costs when AFDC families reside with others. The effect of this change would be to lower benefits to these families on the premise that they do not pay full shelter and utility expenses. At present, states have the option to do this, and we believe there are sound reasons to stay with the option, rather than move to a mandate. For one thing, it would be unfair to prorate shelter and utility expenses in states that do not now fully cover these costs in their AFDC need standards and payment levels. A mandate would disregard this and force the hand of states that would probably otherwise avoid proration as an undesirable cut in benefits. In addition, proration runs counter to the simplified flat grants states have opted for with federal encouragement in recent years, since shelter and utility costs would have to be calculated separately rather than standardized within the flat grant. The separate calculation would make the program more error-prone and increase administrative costs. Consequently, we believe the decision to prorate or not is best left to the states.

Two other proposals would also have an impact on eligibility: ending AFDC benefits to parents when the youngest child reaches age 16 and standardized food stamp benefits for AFDC households. Let me address the AFDC proposal first.

The administration last year recommended denying AFDC benefits to parents with older children, but the proposal was dropped in conference. State and local welfare officials opposed it then, and likely will do so again this year. Parents who stay on AFDC long enough for their youngest child to reach age 16 are often poorly prepared to make it in the labor market. Their attachment to work may have been sporadic over the years or even nonexistent due to health problems or location in a remote area. Admittedly, they cannot stay on AFDC forever. Yet, it may be far worse for them, and for society, if their benefits suddenly stop and they have not been readied for employment and may still have a child in school to support. Quite possibly, they will become the responsibility of increasingly overwhelmed general assistance programs financed solely by shrinking state and local treasuries and may never gain entry to the labor market. What these parents--mostly mothers--need is job preparation and training not an end to assistance.

The food stamp proposal would provide automatic eligibility for households made up of only AFDC recipients and would establish standard food stamp allotments for them. On the surface, this proposal may appeal to many state and local welfare administrators who have long sought better coordination between food stamps and AFDC and simpler rules to administer. However, based on what we know of it at this early date, it could also cause major problems. We worry that the use of standard allotments--as opposed to basing benefits on individual family needs--could have the unintended

effect of lowering benefits for the poorest families who now receive the highest food stamp amounts. If some way could be found to hold these families harmless, that is, to protect them from the loss of benefits, the proposal would be more attractive. Administratively, we believe there could be substantial complications as families move on and off AFDC, and presumably, obtain and lose categorical eligibility for food stamps. The transition from one status to the other would increase errors and confuse recipients, thus detracting from the advantages of standardization. For these reasons, we urge Congress to exercise caution in this area.

OTHER PROPOSALS INTENDED TO SIMPLIFY FOOD STAMPS

In addition to those that have already been mentioned, the administration wants to make three other changes in the food stamp program intended to simplify it. These include eliminating the excess shelter deduction, raising the standard deduction to compensate, and capping the dependent care deduction. Of this set, the one of most concern to us is elimination of the excess shelter deduction.

Over the years, state and local administrators have perhaps been the loudest voice for simplifying deductions in the food stamp program. The number of deductions and the special exceptions for particular groups of people unnecessarily complicate administration. However, we would have reservations about wiping out the excess shelter disregard, unless the standard deduction could be increased enough to offset it. True, elimination would be a simplification, but at what price? People with high shelter costs--some 4 million households--would lose benefits at a time when they can ill afford the loss. The adverse effects would be harshest in midwestern and northeastern states where shelter costs are higher owing to fuel

prices and the cost-of-living in general; yet, there would be some impact in every region of the country. In our judgment, it would simply be unfair to require equal treatment of people and regions in unequal circumstances, as called for by the proposal. We appreciate the administration's interest in trying to simplify the program but question whether outright elimination of the shelter deduction is the right way to do it.

This brings me to the last proposal we wish to address today: the recommendation that states pay the full cost of all erroneous benefits above 3 percent. It goes without saying that we were incredulous when we first learned of this proposal. Little more than six months ago Congress adopted a tough financial liability policy for the food stamp program. That policy has not even had a chance to begin working. Yet, the budget planners in the Executive Branch want to scrap it for a scheme which is nothing more nor less than a poorly veiled attempt to, in effect, convert food stamps to a federal matching program in which the states share in the cost of the benefits. There can be no other way to describe a plan which would require states next year to pay almost half a billion dollars in penalties for errors that are often beyond their control owing to complex and constantly changing federal policies and to client mistakes.

Congress, the Department of Agriculture, and the states have made valuable progress in bringing the food stamp program under better control the past couple of years. Eligibility rules have been tightened, and policies have been simplified. Error rates have begun to come down, in many cases dramatically. And we are confident they will continue to drop rapidly under the current error rate sanction policy, which requires states to achieve a 5 percent error rate by FY 1985 and provides ample impetus for

states to undertake cost-effective corrective action. If better management and fewer errors are the objectives, there is simply no need for the administration's draconian measure. Indeed, by forcing states into radical action when faced with the prospect of huge financial penalties, we believe it would do more to undermine sound management of the food stamp program and to jeopardize state resources now being used to finance other programs serving the same low-income population.

Beyond our fundamental objections to lowering the error rate tolerance to 3 percent next year, we also believe Congress should closely scrutinize the administration's claims that its proposed program simplifications will automatically reduce errors, therefore making it much easier for states to achieve smaller error rates. The argument is made that the proposals for simpler deductions, categorical eligibility, and broadened household definition will automatically slash the national food stamp error rate (for over issuances and ineligibility) to 7.1 percent from its current level of around 10 percent. Based on our experience with the program, we seriously doubt whether almost a third of the errors would be instantly erased by these changes, some of which complicate the program. We are now in the process of gathering data from individual states to help us assess the likely error reduction effects of the proposals and will be glad to share this information with you.

That concludes my testimony, Mr. Chairman. I will be pleased to answer any questions you may have or to otherwise be of further assistance to you and the task force members.

Attachment.

**NATIONAL COUNCIL OF STATE
PUBLIC WELFARE ADMINISTRATORS**
OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

PROPOSED AFDC IMPROVEMENTS

- o Eliminate the requirement that pregnant women be required to register for any type of work or training program in their third trimester of pregnancy. When the child is born (in three months) the mother will be exempt from work registration for a period of time. To require WIN registration by pregnant women is counterproductive because few job opportunities exist as is a needless waste of limited taxpayer resources.
- o Exempt the earned income tax credit from countable income in AFDC. The federal government provides this benefit to low-income working Americans. To further reduce the income of the nation's poorest families -- AFDC recipients -- is unfair.
- o Allow states to require parents with children age 3-6 to participate in WIN if child care and federal WIN funds are available. To avoid long term AFDC dependency, it is important that parents become involved in work as early as possible without jeopardizing the child's care.
- o Allow federal financial participation (FFP) to cover the needs of the incapacitated or unemployed father when aiding pregnant women. This is necessary because the unborn child's eligibility for AFDC is based on the father's circumstances yet, if the couple has no other children, states providing AFDC for two-parent families may not aid the entire family until the child is born. The policy would be made more consistent by allowing both parents to receive assistance for the third trimester (regardless of whether there are other children in the home).
- o Use the food stamp strikers' policy for AFDC. If the family was eligible for AFDC prior to the strike, benefits would be based on pre-strike income. This will establish common AFDC and food stamp definitions.
- o Allow five states to test common AFDC and food stamp definitions and a common budgeting process for the two programs. The demonstration would last for two years and would be designed to promote administrative efficiency.
- o Eliminate the \$25 per month cap on participant expenses in CWEP. It is arbitrary and serves as a disincentive to states interested in trying CWEP. Any reasonable expenses that are a result of CWEP participation should be reimbursed.
- o Use the food stamp program's resource policy as it pertains to burial plots, funeral agreements, and property a household is making a good faith effort to sell at a reasonable cost, so that states may exempt these items from the resource limit in AFDC. This would again promote better coordination between AFDC and food stamps and simplify administration.
- o Allow states to waive recoupment of overpayments when it is not cost effective to pursue collection. For example, states should not be required to pursue overpayments to former recipients when the costs to collect will exceed the amount owed.
- o Give states discretion in choosing when to make a protective payment. Under current law, states must remove the parent from aid and make protective payments under certain circumstances (in WIN and CWEP, for failure to cooperate and in AFDC if a parent fails to assign support rights or refuses to cooperate with child support enforcement efforts). Broader state discretion is needed because it is not always correct to assume that the sanctioned parent cannot properly spend the child's benefit, it is not always possible to identify someone to serve as a protective payee, and using a protective payment does not in practice restrict the parent's access to the benefit.

Mr. DONNELLY. Thank you very much. Ms. Ferraro.

Ms. FERRARO. Thank you, Mr. Chairman.

I am going to have to leave, I am giving a speech in half an hour at lunch. But I did want to come and hear your testimony, and I am delighted to have had the opportunity.

I have spoken with Ms. Amidei and Mr. Greenstein on several occasions, and they always address their topics most eloquently. I have to tell you that prior to coming in here—and we have four card schedules, nothing is on a single card—but I stopped in to do a 10-minute segment on cable TV and what it was, was it allows—it is a new type of TV where people in Cleveland were able to push buttons and respond to questions.

I asked them one question—most of the Budget members were in there, and Martin Frost was following me, and I did it on defense spending, on the increase in defense. And then I asked a question about entitlements, and I said that entitlements are a major portion of our budget and that the President has said that we have to do something about entitlements in order to bring down the deficit.

I asked where do you think we should look to cut or to curb the benefits that come out? And I gave them a choice of social security, food stamps, and veterans pensions. The numbers were 11 percent, that we should address social security; 53 percent for food stamps, and 17 percent veterans pensions.

So, what I did was I addressed the fact that people don't understand that food stamps are a very small portion of our budget, it is an \$11.7 billion program, and if you talk about that compared to social security's \$178 billion, it is a drop in the bucket.

As a matter of fact, I was just looking with one of the staff members at the total numbers of programs that affect poor people and it is \$72.3 billion out of an \$848 billion budget.

So, let's cut them all out. I mean, even if you cut them all out, totally, you still end up with a budget deficit of \$130 billion which we have to address. That is not looking at the human side of it, that is looking solely at the economic and not totally the economic, either, because if you take a look at programs like WIC—now, you talked about pregnant mothers. I would be curious to find out from the hospitals, first of all, how many of those babies are born still-born? How many of those babies are born sickly and need medical attention after that? And how many of those kids will have something that will affect them for the rest of their lives?

As a mother of three healthy kids, I know that when your kids get sick, it is not only a costly thing, but it is a problem for the family.

I don't think we look at cost effectiveness, as far as programs of health are concerned, and nutrition for the poor are concerned, and I think we should.

When we are looking at defense spending we have got to address the fact that national security is not only missiles, bombs and arms, it is a healthy America as well, an America that can compete in school, healthy kids getting food programs that they can compete in schools, to learn, so they can compete on an international level with the Soviet Union, or whoever it might be in the next 10 or 15 years.

I think your story is dynamite, I am certainly very anxious to work with the chairman with reference to these cuts. I agree with you that not only should we look to avoid additional cuts, but what we have got to do is look to restoring some of the programs and some of the moneys, and we will be doing that. It is not only the bleeding heart liberals who are talking this way, I think it is people who are looking very, very sensibly at the economy and looking at what this means to the health of America and the future.

Ms. AMIDEI. If I may, before you leave, there are two things I would like to pick up on. One, to give you a number you can use appropos on the cost effectiveness, or something like WIC. It costs us about \$450 to see a woman through a pregnancy in terms of just basic checkups, basic nutrition supplements, and nutrition counseling which will stand her in good stead over the long haul.

If she does not get WIC and the baby is born below birth weight, very tiny, the costs in an average hospital now are \$40,000 to \$50,000 before the baby can leave the hospital. A baby in a neonatal intensive care unit runs up costs of about \$1,000 a day in any major city in this country, and also in small towns.

Now, if that baby does survive, and is permanently retarded, or handicapped, as a result of being born so tiny and undernourished that it simply isn't properly developed, institutional care costs for a lifetime for a child in Massachusetts are now just about \$2 million.

So, if you want a good return on your buck, for \$450 we can show a very real return, and that is without even getting into anything about whether you want kids that are healthy and productive and can learn and stay awake in school, that is just straight dollars.

It seems to me that it is no different than withholding polio vaccine from polio vulnerable children—we wouldn't do that. We wouldn't deny a child a polio shot because we wouldn't want to run the risk of that child becoming handicapped for the rest of its life and end up in an iron lung. But we withhold the basic food and health services to those pregnant women and run the risk that those children are going to be permanently retarded or handicapped for the rest of their lives.

I have one other thing that I don't want to lose track of—when we talk about social security, that I think has to be treated differently than other non-means-tested programs. In part because if you were to look at the poverty figures for 1981, you will find some very interesting things.

The incidence of poverty among the elderly is about 14 percent overall. If you look to the incidence of poverty among the minority elderly, it is, for example, among black elderly people, 39 percent; minority female elderly it goes even higher, I think the figure is about 53 percent.

If you then look at the group that is in that little grey area between the poverty line and 125 percent of poverty, people who are just marginally out of poverty, that is where you find most of our elderly clustered.

If you start to tamper with the cost-of-living index in social security, you tamper with their standard of living because we know that most elderly people spend most of their incomes on items that

go up faster than the cost of living—housing, utilities, medical care, and food.

So, if you freeze or lower, or tamper with that cost-of-living index, you are doing it to people who are just marginally over the poverty line, or already in poverty, for whom social security in many cases is the sole, or major source of income. You run into a very serious risk of creating even greater poverty and suffering among the elderly.

Ms. FERRARO. I think the purpose of my question was to get some sort of perception from the public, as to where our spending was going. And to get a perception as well to support the program. That is where the problem lies.

In my district, I have the largest elderly population in the entire State of New York. I have a lot of elderly women, who live on social security alone. My problem with my elderly women who live on social security alone is that they will not apply for food stamps, they will not apply for SSI.

I go into a senior center and I don't look at any faces, I look up at the sky and say, "I am not going to suggest to you, I am not looking at anybody, please, if you are not eating, please call my office, and we will have someone handle it for you confidently, to see if you qualify for food stamps." They don't even ask for it.

I am not suggesting that the question that we were looking into, cutting benefits of people on social security. What I was looking at was really to get a reaction on what they felt about food stamps, because that is the most misunderstood program.

In my district, again, they say "Cut it, cut it" and I would say, "Why?" And they would say, "Oh, I saw a guy who went in and bought beer." And I say, "I tell you, I know exactly what he looks like, he drives up in his Cadillac, with the radio blaring and he jumps out, he goes in and he buys beer and he buys cigarettes with his food stamps, is that right?"

And they say, "Yes."

Ms. AMIDEI. And he is married to the lady who is buying the steak and lobster.

Ms. FERRARO. Well, what I figure—I keep telling them things like, "If you find that guy, take his license plate"—because being a former assistant D.A. I have a lot of connections with the police department and we will happily find out his name and address, and we will move against him, because that is a violation of the law.

But those are not the people in my district who are receiving food stamps. My people are elderly, poor people, they are just plain poor people—some of them are not elderly, they are people who are supporting families, women supporting families who just can't make it.

I think the perception is the perception that is being reinforced every time the administration talks about entitlements—they always use food stamps as the example. Of all of the programs, it is the least costly one. And that was the point of the question.

Ms. AMIDEI. I am glad to have the opportunity, I am sorry I missed that.

There is no question that it is about the most misunderstood program around. I slug it out on the streets on food stamps more often than anything else. I am working right now on a report that I am

calling the "Fraud Fraud," on the fraudulent misuse of error rate statistics to imply fraud.

Mr. Ginsberg would be happy to know that food stamp workers have a lower rate of error rate in their work, despite all the jerking around that the programs have gotten over the last couple of years, than the IRS employees, just for example. A lower rate of error than, for example, military officers who misuse helicopters and military jets and so forth. The error rate in other programs is much, much higher but the perception is that food stamps is full of fraud and abuse.

There is something that we can do about that, the President is, unfortunately, on the other side. He is adding to that feeling that those elderly people in your district have, that if they use food stamps, they are going to be seen as frauds and crooks. And that is that we have got to get people in public life who will be willing to stand up and say what you have said, because this notion that everybody on food stamps is a fraud, is not just hurting the program, which it is, but it is hurting many poor people who otherwise could be helped by the one program that has done more to alleviate and reduce hunger and malnutrition in this country than any other. It is a wildly successful program that is getting a very bad rap.

Ms. FERRARO. I truly apologize, but if I don't get there, Fordham University is going to take back my law degree.

Mr. DONNELLY. Thank you very much.

I think the good news is that there is a growing consensus in the Congress that you just can't cut means-tested entitlements anymore. I think that is a real growing feeling.

The bad news is, I think, Ms. Ferraro's poll, which shows there is not great support here in Congress or out there in the electorate, for either changing or increasing the funding for these programs—I will go back to what I was trying to convey to Ms. McMahon about the AFDC program.

I think the status quo is an outrage. I think the administration's proposals are also an outrage. We literally have had in this Nation for years a subsidized caste system for women, whom we force to suffer some of the greatest indignities in society. Why? Because they love their children, because they want to stay with their children. They want their children's lives to be better than their lives were.

But any of the few ladders that we had for upward mobility, you pointed out very articulately, we are eliminating, because when a mother has to choose between whether her child is covered by health insurance, or she has the dignity of having a job—she is going to go with her child.

It is just not the Reagan administration. I think their proposals are more outrageous than any of the other proposals from any other administration. But other administrations are also guilty of not looking at long-term ramifications of this problem and coming up with some dynamic way to approach what I consider to be an American outrage.

This whole public perception of the welfare mother, when in many instances those women are on welfare because they love their children and there is no way to get out. We are talking about hundreds of thousands of women. With all of the talk of feminism

today, and rights in the board rooms, year after year we continue to authorize and fund this program, without restructuring it, which in my opinion is a disgrace. There is a great misconception about the dollars that we spend on these means-tested entitlements. As Mr. Greenstein very articulately pointed out, when you can retire from a noncontributory retirement system, at 37 years of age and receive full benefits, indexed to inflation, something is wrong.

We need not just pick out that program, but there is a series of non-mean-tested entitlement programs that ought to be reformed. And we constantly go after only means-tested entitlements because, sad to say, it makes good politics. It makes good politics to use people that are on the lowest rung of society and find the abuses. And of course, there are abuses: There are abuses by poor people, there are abuses by rich people.

Mr. GREENSTEIN. Mr. Chairman, if I may make two points along those lines.

Moving to somewhat different programs, but also entitlements, medicaid and medicare. In medicaid there are even further rather remarkable gaps. For example, in many States their AFDC only covers one parent households, where the father is present, there is no AFDC benefit, there is also no medicaid for the mothers of the children, none whatsoever, even if they have no income.

In some States that have remarkably low income limits for AFDC, a fraction of poverty, a mother and children above those limits also gets no medicaid.

I would hope one of the things you could look at either a proposal, or some variant of a proposal that the Energy and Commerce Committee has submitted to the Budget Committee to deal with that very, very serious problem in the medicare area. Obviously medicare costs are growing very rapidly, and there are some reforms that are needed. But my hope is that Congress will have the courage to look at reforms that are aimed at what caused health care costs to rise in the health provider sector.

Some of the administration's proposals would hit pretty hard at elderly people who weren't very far above the poverty line, in terms of some pretty significant increases in out-of-pocket costs, I would imagine. But it is in those kinds of areas that the Budget Committee would be restrained as to how far to go.

Ms. AMIDEI. It just occurred to me, and I am sorry I didn't think of it when Ms. Ferraro was still here—I think there is a shift in public perception about the means tests of the entitlement programs, that gets obscured when you say which of the three would you be willing to cut, social security, food stamps, veterans, because in that array, of course most people would say food stamps, rather than the other two.

On the other hand, there are now so many more people who have either had to turn to one of these programs, or know somebody who has, or wish—

Mr. DONNELLY. It is a heck of a way to change public opinion, though.

Ms. AMIDEI. Well, that is right.

But one of the things that I have noticed, for example, in the traveling that I do, is that 2 years ago when I made critical comments about what was happening and about what I thought the

budget cuts were going to do, people would argue back at me. They would take me on, they would tell me I wasn't giving everything a chance, why wasn't I willing to let these things be tested out, and for heavens sakes, it is a hard problem, and the President has a hard job, blah, blah, blah. Now, and over the last year, there has been a real shift in opinion. It is not that I have changed, but that people have responded differently now.

It is suburban housewives who are going out for soup in the soup kitchens, it is the suburban college students who are collecting the canned goods for people who are unemployed. It is the employed labor union people who are kicking in from their weekly salaries, so that their other union members will continue to be able to eat.

So, it has spread now in a way that wasn't true before, and now when I make critical comments about the budget proposals and what is going on, people argue back at me still, but now they argue back and say, "You don't know the half of it, why don't you go back there and tell them it is absolutely terrible? Do they understand what they are doing? Does anybody out there listen?"

The change, I think, is real. And I think it is coming, and I hope that it will be perceived by Congress in time to forestall further damage, because I am very conscious of it and it isn't just low-income people. I am hearing it from wives of chairmen of the board—the chairman of the board hasn't yet told me that, but the wife has.

Mr. GINSBERG. I would echo that same comment. I think sometimes the way we ask questions has a lot to do with the kind of response we get. If you said do you prefer veterans benefits, or food and the like for low-income children, and elderly people, defining the program rather than using the catch word food stamps, I think you get a very different response. We found that in West Virginia. And we found that our legislature, our own State legislature is willing to supplement the Federal Government's reductions, in order to keep programs at their current levels.

We also found a good bit of voluntary spirit to help in some of the critical problems. One of our largest utility companies, for example, put some money into helping low-income people with their energy payments, and put a voluntary slip into the utility bills asking people if they would like to contribute \$20, in addition to their utility payments, for a fund for low-income energy recipients. They have raised one-quarter of a million dollars in a month on voluntary contributions—a remarkable innovation. And the people who're paying those bills are middle income and upper income people.

I don't really think it signals a change. It would be a very difficult way to change public perception, to make everybody poor. If there were more poor people, then we could convince them to support public programs, public welfare programs.

I think what really has happened is that the issues are now more carefully defined, and that the concern about disadvantaged people is just being expressed differently. I think the questions have always been asked improperly. If you ask people if they are for welfare, all of the polls that all elected officials take, always show that people oppose welfare, but everybody is for programs for the aging,

services to children, nutrition programs for mothers who are pregnant, and health care.

Ms. AMIDEI. It is just if we call it welfare they are against it.

Mr. DONNELLY. It is like the old saying that Congress as an institution is held in very low regard by the American people, but their individual Representative is OK. I hope they still feel that way in Boston.

I think the American people are very fair, and I think people in Government have done a disservice when it comes to these means-tested entitlements by not articulating what the situation really is. Why do we have AFDC? Because we want to keep the family unit together. It is in many ways an old motherhood and apple pie type of program, the mother should be in the home with the children. That is as American as you can get, because of the fact this woman has been abused in many cases, and there is no father. We want to keep the mother of those children home—those children need a very strong figure in that home. That mother shouldn't be out when they come home from school because it is an investment in the future of those children—we are not doing her a favor, we are trying to do a favor for ourselves, by investing in those children, by trying to give them a structured family life.

AFDC is perceived as if it is a giant sham out there, that these people are collecting hundreds of thousands of dollars, and just sitting around and doing nothing all day.

We must do a better job of articulating that is not so. AFDC is a program that was started years ago to maintain—I mean, I don't know what a nuclear family is. What happens when you come from Boston and you marry somebody from North Carolina, when you move to North Carolina and your husband literally turns out to be a bum, and he leaves you in North Carolina with three children and your mom and dad are dead? You have nobody. You know, we have a very mobile society in America. You have nobody to turn to, but the Government. And what does the Government do for you? Gives you \$5,000 a year to live on, and now they are going to make you go out—and you have been out of the labor market for 7 or 8 years, and now they are going to say go out and get a job.

The growth industries in States like Massachusetts are in high technology. It is very difficult to get a job in high technology if you don't have a high school education. It is very difficult to get a job in high technology even if you are a graduate of a university.

It is just an enormous injustice. The positive part is that there is a growing feeling that enough is enough.

But I think those of us who are somewhat philosophically akin also have a responsibility not just to defend the status quo, I am very uncomfortable about defending a system that provides just subsistence cash payments. A program that really hasn't worked that well—I think the criticisms are valid.

Ms. AMIDEI. I think you are wrong. For example, we always focus on the problem of dependency and welfare, as though that is the big issue. Half of the people who come under welfare are off it in the course of a single year. The turnover in—

Mr. DONNELLY. I think if you look a little further at those statistics, I would suspect that a good percentage of those people entered that welfare system with different economic backgrounds. I said

that earlier—it is going to be very easy for my daughter to get in and out of that welfare system, because her father is a graduate of a university, a Member of Congress—my daughter is only 2 years old, and I hope she doesn't have to soon. But while it is going to be very easy for her, it is going to be very difficult for many of my constituents whose parents are now living below the poverty level, to enter that welfare system and get out because of the lack of access to influence in this society.

Ms. AMIDEI. You are correct, in general, but over the years that we have had AFDC—we started out with just aid to the dependent children, and the mothers only got included in the grants in 1950. We can go back now to 1935, long-term dependence on welfare has never been a major problem—it has always been very small. Even in times of high recession, the average member's length of stay on welfare was 27, maybe 30 months.

So, most people were not staying on welfare that long, and those long termers, the handful, the 4 or 5 percent that were very long-term people, also over the years, almost always turned out to be roughly the same percentage as the number of households on the AFDC in which there was a severely handicapped or retarded member.

That is always interesting. We don't have sophisticated enough data to know whether or not they are the same people, but you can make some educated guesses, that if you had a severely handicapped child and were abandoned by your husband, the chances that you could then get a job that would pay enough to support that handicapped child, or find day care for a severely handicapped child, is not very good.

So, those would be among the long termers.

Mr. DONNELLY. That would be my criticism of the inflexibility within the system. That there are different financial—if we want to call it a nuclear family, if that is going to be the code word, then there are different financial needs within each nuclear family. We don't have the flexibility in that program.

Ms. AMIDEI. But overall welfare has provided crisis relief, whether for 6 months, or 1 year, or 2 years, or 3 years, it tends to be something like that. If we were to try and look for the welfare success stories, we would find millions.

I know, in fact, of someone who was a Presidential appointee in an earlier administration, whose family had been on welfare, the father had run off and the mother decided to keep the family together, and wasn't able to get a job right away, and supported the children by herself. Eventually both of the children went on and got Ph. D. s, and one of them ended up as a Presidential appointee in an earlier administration, the other child was teaching as a professor at a university.

Those kinds of stories exist all over this country. But in addition to that really superduper star kind of success story, there are millions of stories in which somebody goes on to be a shoe salesman, or a nurse, or a policeman, or a security guard, or whatever—welfare helps families during times of crisis. And it has worked; it does work and it works every day.

We make it more and more difficult for it to do its job in part because of all of these changes that we have heard about, where

every other week those welfare workers find that the rules have been changed, and they have got to do something differently.

But the basic notion that people without a source of income will be helped if they have a source of income still applies. It helps, they become less poor. It helps them keep those families together, and it helps do exactly what the system was set up to do.

Now, the notion that it has somehow also created an underclass that is three generations on welfare, there is no evidence to support that, absolutely none.

Mr. DONNELLY. I certainly wasn't suggesting that, but I simply think there ought to be more flexibility. I think with the resources that we have available in this Nation, and with the fairness of the American people, that the resources ought to be flexible enough to provide that individuals wouldn't have to live in such dire circumstances. I am afraid there is a growing gap in this country between the haves and the havenots, and the ladders of upward mobility are being cut.

Interestingly enough, over the past 2 years, who has taken, percentagewise, the biggest amount of the budget cut? It has been the poorest people of America. When you talk about cutting middle class programs, the programs basically of the electorate, that is when you get the opposition. There is very little opposition when you start cutting poor people, but when you get into programs like student loan assistance, and aid to higher education, and aid to graduate degrees—not that those programs don't have validity, then—the storm of protest arises. The Congress reacts to the electorate and reduces those proposed cuts substantially.

Any chance that the poor had ever had about getting somewhere above the working poor, into the middle class, has been eliminated. This whole American misconception about the welfare system has to change—maybe we should hire a group of public relations agents and change the name, or do something—and the amounts of dollars that we spend, compared with other programs. I would like included in the record, your analysis of the specific non-means-tested programs that you talked about.

I think that is an area where a committee like this ought to at least make a public statement, and say that there are some inequities. I am not so sure in the long run that there should be any non-means-tested entitlements.

Mr. GINSBERG. Mr. Chairman, there are a couple of very good tests made by the Carter administration and the Nixon administration in the aid to dependent children, the family assistance programs, SSI and others—President Nixon called it better jobs and income program; President Carter called it—which would have set national standards, and would have phased out welfare as people became more employed, which would have incorporated the food stamps into a cash assistance program—very rational systems for taking this out of politics and providing nationally for it.

We haven't even addressed the inequities between States, \$85 to \$100 a month for a family of four; you know, \$5,000 is pretty good as cash assistance in this country. It is well above the average AFDC payment.

And if we are talking about long-range solutions, I hope that someday those ideas will be revived and incorporated into Federal policies, I think they are critical.

Mr. DONNELLY. Mr. Greenstein.

Mr. GREENSTEIN. I just wanted to make two points. One to follow up on that. In Texas, with all of the oil revenues they have, a family of three, a mother with two children and no other income, the welfare payment is a grand total of about \$1,200 a year.

The other point I was going to make, getting back to the military retirement—

Mr. DONNELLY. You can't convince me that if the American people were aware of that statistic, that they would allow that to happen.

Mr. GREENSTEIN. I have made 100 speeches about it.

Ms. Amidei. The people of Texas allow it. It was on the ballot, whether or not they would increase the total amount spent on AFDC and that was passed. But it is not going to be enough to do more than just add a little bit in terms of those \$118 a month grants. Now they are going through a fight over whether or not they will actually appropriate it.

Mr. DONNELLY. You know, I think clearly there is a question of leadership. It is interesting over the past 2 years when the President has addressed the Nation, and called on them to support his economic program, they followed his leadership. I think that was a mistake, a serious mistake that we will pay for over the course of time. But we don't have some of the real opinionmakers in this Nation calling people's attention to this fact.

Mr. GREENSTEIN. Two things, back on the military retirement—

Mr. DONNELLY. Somehow I knew you were going to get back to that.

Mr. GREENSTEIN. About 1 month ago I had dinner with several people, one of whom shall remain unnamed, who was an official at OMB. I said during the course of dinner to this person, Well, I really don't understand, if you are so concerned about the deficits, you have these tremendous cuts in civil service retirement, but military retirement is considerably fatter than civil service retirement, how come you have little in military retirement in the current budget? The answer I got was fascinating. He said, "Well, at one point in time we had very parallel proposals for military retirement in the President's 1984 budget, and Cap Weinberger went bananas and came flying out, and the military retirement proposal disappeared and the civil service retirement proposal remained in the budget."

Hopefully, there will be a more balanced look up here.

The other thing that concerns me about total resources—talking to the future, is I know the committee is looking seriously at the third year tax cut. What concerns me is if after you come out of conference, which is likely, we have recapped the third year or eliminated it, so the level of revenues one gains goes down very substantially, and if at the same time, we end up after conference with something like 5 percent real growth in the military and a number of the procurements now scheduled go ahead and those outlays explode in the outyears, then if you don't have all of those

revenues after you come out of conference—you have a high level of military, we are going to be back in a very serious budget crunch, whether you do all of these cuts in social programs, or not.

And after a year or two you can't get much more out of the military, because it is too late, they are too far down the road. The tax stuff is in effect, and what normally happens is that sooner or later, when the crunch is really on, the means-tested entitlements end up coming under the gun again.

But the message of that is the hope that in taxes and in overall defense spending, that the Congress does enough this year, so that we don't find—whether it is this year, or 2 years down the road—that we take the knife to these welfare programs again.

Mr. DONNELLY. Add to that the oppressive debt service. If we continue on this economic policy, the first bill you have to pay is the first revenue dollar that goes to the debt service. That static debt, if you look ahead to 1988, is just staggering, even with the elimination of the third year of the tax cut, even with capping military spending at 3 percent real growth. And when you get back to those debt service problems, it is the poorest people in the country who suffer from it.

Hopefully, the resolution that will come out of this committee will be much different from the budget that was submitted by the administration. But we do have a very serious job of salesmanship to be done on the American people, when it comes to poor people's programs.

Thank you very much for your excellent testimony.

The hearing is adjourned.

[The following additional material was supplied for the record:]

STATEMENT OF
THE NATIONAL ASSOCIATION OF HOME BUILDERS (NAHB)
before
TASK FORCE ON ENTITLEMENTS, UNCONTROLLABLES AND INDEXING
COMMITTEE ON THE BUDGET
UNITED STATES HOUSE OF REPRESENTATIVES
on
THE ADMINISTRATION'S BUDGET FOR FISCAL YEAR 1984
on
MARCH 9, 1983

Mr. Chairman and Members of the Committee:

My name is Harry Pryde and I am a homebuilder and developer from Seattle, Washington. I submit this statement on behalf of the more than 105,000 members of the National Association of Home Builders (NAHB). NAHB is a trade association of the nation's homebuilding industry, of which I am President.

I am pleased to be able to present to this Task Force a report on the outlook for the home building industry, and our views on the President's FY'84 budget.

STATUS OF THE HOUSING INDUSTRY

The housing recovery has received much attention recently as one of the only bright spots in the economic picture. I would agree that there is a real recovery although modest and fragile. The signs are mixed, but pointing upward.

- Building permits jumped 16 percent in January, to a rate 88 percent above the January 1982 rate. This represented the fourth consecutive month of increase, and suggests a good February for housing production. The actual number of permits rose in the South and West between November and December. This increase in permit activity reflects the builder's sense of optimism for recovery this year.
- The annual rate for housing starts in January soared above the 1.7 million level, up 36 percent from December and 96 percent from the January 1982 rate of 877,000.
- Sales of new single family homes in January reached an annual rate of 576,000 units, 51 percent over the January 1982 figure. Sales of existing homes in January were up 38 percent from a year ago, and 15 percent from the December rate.
- The inventory of unsold new homes has risen by 6 percent in the last three months, a reflection of the confidence of builders for an economic recovery.
- Construction unemployment stood at 19.7 percent in February, representing the first time the monthly rate has been below 20 percent since June of 1982.

In 1981 and 1982, the housing industry operated at its lowest levels of production since 1946. Starts in 1982 ended up at 1.07 million, about 46 percent below the peak of the previous cycle in 1978. New home sales were at their lowest level since the Census Bureau began its sales survey in 1963. Construction unemployment

averaged 20 percent, the highest level since the Bureau of Labor Statistics began its monthly unemployment survey in the late 1940's. Mr. Chairman, you could say that we in the housing industry (with the exception of some of our builders in Texas and other isolated areas) are very happy that 1982 has ended.

At this time, mortgage interest rates are in the 12 percent to 14 percent range, substantially higher than rates in 1976 when the industry recovered from its last major recession. It should be noted that this modest recovery is underway without the type of government assistance (Brooke-Cranston and tax credit for home purchase) provided to assist recovery from the 1974-75 downturn. That may account in part for the slow and modest recovery now occurring. In fact, our Economics Division has projected that government-assisted production of all types will be down by 50 percent from 1982 to 1983. And most of that limited activity in 1983 will be in rural housing programs.

OUTLOOK FOR THE HOUSING INDUSTRY

Based upon NAHB's most recent econometric forecast, total housing production is expected to increase by 31 percent to 1.39 million in 1983. Single family activity is expected to reach 887,000 units with multifamily at 503,000. Our most recent forecast has shifted some units out of multifamily and into single family. This is based upon the assumption that multifamily production is not picking up as quickly as anticipated from the decline in Section 8 activity, while single family production is responding more quickly due to the interest rate decline.

Let me be specific about the assumption variables which were used to develop the forecast. We are assuming a decline in AAA bond yields and three month Treasury bills of one full percentage point between fourth quarter 1982 and fourth quarter 1983. The prime rate is projected to drop by almost three percentage points, to 9 percent in the fourth quarter of 1983.

Mr. Chairman, most forecasters have projected housing production to range between 1.3 million and 1.4 million units in 1983. At that level, this industry can only be expected to make a modest contribution to recovery of the overall economy this year. If housing production increases by 320,000 in 1983, that translates into an increase of 28 percent on a GNP basis for residential construction or \$27 billion in fixed residential investment. This means about 540,000 man-years of employment in construction industries, plus an equal number of man-years in related industries. These are virtually all private sector jobs.

But I must bring a note of caution to this discussion. If interest rates begin to head upward ... if the Federal Reserve Board returns to its strict monetarist policy ... or if federal budget deficits remain in the \$200 billion range for the next few years ... our forecast would be as pessimistic as the actual level of activity in 1981 and 1982.

BUDGET

Mr. Chairman, I am deeply troubled by the Administration's FY'84 budget which projects deficits in the \$190 billion range for FY'84 and FY'85. The budget still projects a deficit of \$116.7 billion in FY'88 after five years of relatively strong GNP growth of four percent

annually. Of course, that budget deficit is based upon Congress accepting all of the Administration's proposals on spending and taxes. Even more frightening are the Congressional Budget Office out-year baseline projection of an FY'88 deficit of \$267 billion assuming no changes from FY'83 programs and a 3.8 percent annual rate of GNP growth.

Deficits of that size could only open the door to a serious credit crunch in the near future which would weaken, if not destroy, the recovery now underway. In order to reduce these projected deficits, we believe that Congress and the Administration must focus on the "big ticket" items which have been ruled off-limits from the budget process. This must include scaling back on defense spending and containing the soaring costs of entitlement programs. These programs, coupled with interest payments on the national debt, account for over 80 percent of the federal budget.

Large deficits have an impact on available savings. In the past two years, credit markets were able to raise just under \$500 billion each year in new funds, with the federal government taking over \$200 billion in 1982.

Current projections of the deficit mean that we would have to finance 6.5 percent of the GNP for the federal government alone. This would reduce net investment and weaken if not abort the prospective recovery.

Large deficits also affect the financial markets. They spell uncertainty and grave concern for the money managers as to the direction of long-term government policies. Deficits result in

higher interest rates, undermine our trade balance and create a climate for worldwide protectionism.

Let me again stress the importance of working to reduce the federal deficits. I fear that by late summer or early fall the financial markets are going to be under the combined pressure of both the government and the private sector of the economy. And if the government continues to take 6.5 percent of the GNP, then you can be sure that there is not going to be sufficient credit for all sectors of the economy. The highly credit sensitive industries, such as housing, small business and farming will be pre-empted from the financial market by others, especially the federal government.

HOUSING BUDGET

While it is critical that the overall level of federal spending be capped so as to control the deficits, it is also important that comparative cuts in spending areas over the past few years be considered. The federal government's commitment to housing has drastically been scaled back in the last two fiscal years, and the Administration's proposed housing budget for FY'84, we believe, virtually eliminates the federal commitment to housing for those in need.

ASSISTED HOUSING

The Administration proposes a cut of 94 percent in new budget authority for assisted housing for FY'84. The federal commitment to assisted housing programs which represented 4.2 percent of the federal budget in FY'80, would slip to 0.1 percent share in FY'84. This drastic reduction ignores the need for additional low to moderate

income rental housing in this country. The Administration's voucher program will not result in the production of any additional housing in this category. We urge this Committee to recognize the need for federal assistance to production by providing sufficient room for a multifamily rental housing production program and a modest Section 235 homeownership program for lower income families.

RURAL HOUSING

Under the Administration's budget, the successful rural housing program of the Farmers Home Administration would be virtually "zeroed-out" in FY'84. The replacement for this program is an unworkable block grant to the states, which represents a reduction in budget authority of \$2.2 billion or a cut of two-thirds.

The Farmers Home programs are the only source of housing funds available to many portions of rural America. Under the Administration's block grant proposal, any new construction would be virtually precluded. Below are the proposed FY'84 budget figures for the Farmers Home programs.

	<u>FY'83 ESTIMATE</u>	<u>FY'84 BUDGET</u>	<u>PERCENT CUT</u>
502 Single-family Low Income	\$2.3 Billion	\$280 Billion	-87.8 %
Section 515 Rental	\$940 Million	\$16 Million	-98.3 %
Rural Rental Assistance	\$123.7 Million	\$62 Million	-49.9%

We would urge the Committee to allow funding for the Farmers Home programs to continue at FY'83 levels.

FHA-GNMA

In addition to cutting assisted housing programs, the Administration is also proposing to reduce the ceiling on FHA mortgage

insurance commitments to \$39.8 billion from \$45.9 billion in FY'84. The authority for the GNMA mortgage-backed security program is also being reduced to \$58.7 billion. These reduced levels can certainly jeopardize any sustained housing recovery as the FHA/GNMA programs represent the only affordable home financing for many Americans. The pent up demand for housing via affordable credit has already started to cause a backlog in the FHA mortgage program. We ask this Committee to provide sufficient commitment authority for these programs to remain as "demand" programs without restrictive limits.

MORTGAGE REVENUE BONDS

We would urge the Budget Committee to include within its budget ceilings sufficient funding for continuation of the single family tax-exempt mortgage revenue bond program. The Housing Finance Opportunity Act, H.R. 1126, which NAHB supports, repeals the 1983 sunset date on this valuable program. This program provides affordable housing for many first-time homebuyers at a relatively low cost to the taxpayer.

In summation, Mr. Chairman, we believe that a discipline on federal spending can and should be supported by this Committee and the entire Congress. At the same time, within these limits, we also believe the federal government's commitment to decent, affordable housing for those in need must not be abandoned.

These important housing programs have already received a major portion of budget cuts over the past two fiscal years.

Again, I thank you Mr. Chairman for calling this Task Force hearing and appreciate the opportunity to present the views of the homebuilding industry.

[Whereupon, at 1:05 p.m., the task force adjourned.]